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Daily Report

Latin America

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'Text' of Central American Security Treaty

PA2712175595 Tegucigalpa LA TRIBUNA in Spanish
16 Dec 95 p 10

["Text" of the "Treaty on Democratic Security in Central America"; signed by the presidents of Central America on 15 December in San Pedro Sula, Honduras]

[FBIS Translated Text] The governments of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

Whereas,

The fundamental objective of the Central American Integration System and the Alliance for Sustainable Development is to achieve the integration of Central America, and the consolidation of a developed and peaceful region with democratic freedom.

The main objectives of the Central American Integration System, according to the Tegucigalpa Protocol, is to simultaneously reach a new model of regional security based on a reasonable balance of forces; the strengthening of civilian power; overcoming poverty and extreme poverty; promoting sustained development; protecting the environment; eradicating violence, corruption, impunity, terrorism, and drug and arms trafficking.

The Central American countries reaffirmed their profound commitment to democracy based on a state of law and fundamental freedom; economic freedom, social justice, and the interdependence of all countries' security.

The sustained and overall development of Central America will be reached only when a group of laws are drafted to protect, instill, and promote people's human rights and legal measures for peaceful relations between the countries of the region. This will express the states responsibilities among themselves and the responsibilities of the government toward the people.

Security is exclusive, overall, and undivided, and any violent situation which affects one state of Central America has repercussions on all the states in the region.

The new outlook for Central American security is based on the legacy derived from the extensive peace process and integration, supported by a community of democratic values among the states, joined by historical, geographic, friendship, and cooperation bonds.

Therefore,

They agreed to draw the following Treaty on Democratic Security in Central America, as a complement to the 13 December 1991 Tegucigalpa Protocol;

CHAPTER I

MODEL OF CENTRAL AMERICAN DEMOCRATIC SECURITY:

DESCRIPTION

Article 1. The model of Central American democratic security is part of the Central American Integration System and its content complements dispositions of the Tegucigalpa Protocol, to which this treaty is subject.

Article 2. The model of Central American democratic security is based on democracy and the strengthening of its institutions and the state of law; on the endurance of elected governments by vote, which is universal, free, secret, and observant of all human rights in the states that form Central America.

The model of Central American democratic security is based on the respect, promotion, and observance of all human rights. All its dispositions aim at guaranteeing the security of the Central American states and the people who inhabit the region, by creating the conditions to allow the residents personal, family, and social development in peace, freedom, and democracy. It is based on the strengthening of civilian power; political pluralism; economic freedom; overcoming poverty and extreme poverty; promoting sustained development; protecting consumers, the environment and cultural patrimony; eradicating violence, corruption, impunity, terrorism, drug and arms trafficking; establishing a reasonable balance of forces to take into account the domestic situation of each state (collective regional defense).

CHAPTER II

PRINCIPLES AND OBJECTIVES

Article 3. The following principles will govern the Central American Model for Democratic Security:

a. Democratic security is whole and indivisible. The solutions to problems related to human security in this region should, therefore, respond to a comprehensive and interrelated view of every aspect of Central America's sustained development, including its political, economic, social, cultural, and ecological expressions.

b. The joint effort to integrate Central America into a peaceful, free, democratic, and developed region upon the basis of its common origin and destiny.

c. The human perspective, including all of its aspects, cannot be separated from democratic security, and it is a requirement so as to respect the essential dignity of the human being, to improve his quality of life, and to fully develop his potential.

d. The state of law as a guarantee for the supremacy of the sovereignty of the law, the existence of legal security, and the effective exercise of civil liberties.

e. The strengthening and constant improvement of the democratic institutions within each state to achieve their mutual consolidation within their own scope of action and responsibility.

f. The principle of subordination of the Armed Forces, police, and public security forces to the legally established civil authorities.

g. The states' equal sovereignty and the legal security required for maintaining their relations.

h. The peaceful solution of controversies by giving up threats or the use of force as means of resolving differences. The states should abstain from taking any action that might worsen conflicts or jeopardize the settlement of possible controversies through peaceful means.

i. The waiving of threats or the use of force against the sovereignty, territorial integrity, and political independence of any state in this region that is a signatory to this treaty.

j. The self-determination of Central America whereby the states that are signatories to this treaty determine their own regional strategy for sustained development and international consensus.

k. The solidarity and cooperation among the Central American peoples and governments for the prevention and joint solution of common security problems.

l. The solidarity in cooperation to face emergencies of a humanitarian nature, threats, and common natural disasters.

m. The promotion of a culture leading to peace, dialogue, understanding, and tolerance based upon their common democratic values.

n. The interdiction of using this territory to attack other states, to establish organized crime, or to provide refuge to rebels.

o. The democratic security of each of the states that are signatories to this treaty is closely linked to regional security. Therefore, no state will strengthen its own security so as to impair the security of the other states.

p. The mutual cooperation so as to guarantee the irreversible nature of democracy in this region.

q. The collective and unified defense in case of an armed attack by any state outside this region against the territorial integrity, sovereignty, and independence of a Central American state.

r. The recognition of poverty and extreme poverty as threats against the inhabitants' security and against the democratic stability of the Central American societies.

s. The respect for the purposes and principles of the Charter of the United Nations (UN) and the Charter of the OAS.

Article 4. The basic objective of the Central American Model for Democratic Security is to help consolidate Central America into a peaceful, free, democratic, and developed region.

The following are complementary objectives of this model:

a. To guarantee secure conditions that would allow all of the inhabitants to participate in and benefit from national and regional strategies for sustained development by promoting a market economy that would facilitate economic growth and social justice.

b. To establish a preventive mechanism for an early warning in case of threats against security in any of its categories as well as a permanent program of measures so as to promote confidence among the Central American states.

c. To limit and control weapons and military troops in this region by establishing a reasonable balance of forces, the adequacy of military expenditures, and the registration of weapons according to the domestic situation and to the decision of the legally established civil authorities in each member state.

d. To establish a Central American Information and Communication Mechanism for Security.

e. To establish and/or strengthen the Central American mechanisms for finding peaceful solutions to controversies, according to what has been stipulated in Chapter 17 of the present Treaty.

f. To establish and/or strengthen mechanisms of Central American cooperation in the face of humanitarian emergencies, threats, and natural disasters.

g. To establish and/or strengthen mechanisms of operational coordination in the proper institutions to make more effective, at a national and regional level, the struggle against crime and against all the threats to democratic security that may require the use of military, security, and civilian police forces, such as terrorism, the illegal trafficking of weapons, drug trafficking activities, and organized crime.

h. To coordinate at a regional level the forms of cooperation with international institutions in the maintenance and restoration of international peace and security.

i. To promote legal security at the borders of the states that are signatories to the present Treaty, through the use of delimitations, demarcations, and resolution of territorial differences that may be pending in each case, and guarantee the common defense of the territorial, cultural, and ecological heritage of Central America.

j. To strengthen the cooperation, coordination, harmonization, and convergence of security policies among states as well as over-the-border cooperation and the strengthening of social and cultural ties among their populations.

CHAPTER III ENTITIES

Article 5. The following are entities of the Central American Model of Democratic Security:

- a. The presidents' meeting.
- b. The Council of Foreign Ministers.
- c. The Security Commission

The Sectorial and Intersectorial Councils will establish the necessary coordination with the Council of Foreign Ministers, which they will inform about all their agreements and resolutions in matters of security.

In this regard, the defense and security ministers or their equivalent will provide assistance to higher-level authorities of the Treaty in matters having to do with its implementation in their areas of their competence.

Article 6. The meeting of presidents is the highest authority of this model, and it will be in charge of learning of all regional affairs that require their decisions on the matter, at a national and international level, according to what has been stipulated in the Tegucigalpa Protocol.

Article 7. The Council of Foreign Ministers is the next highest competent authority in matters of regional and international security, as the Principal Body of Coordination of the Central American Integration System.

Article 8. The Security Commission is a subsidiary body for the implementation, coordination, evaluation, and followup, the drafting of proposals, as well as recommendations of quick alert and quick action when appropriate. It is subordinated to the presidents' meeting and the Council of Foreign Ministers.

CHAPTER IV

SECURITY COMMISSION:

COMPOSITION AND DUTIES

Article 9. The Security Commission comprises the delegations of the Central American states, which are

made up of the deputy foreign ministers and deputy defense or public security ministers. The deputy foreign ministers will preside over the delegations of each state.

Article 10. The responsibilities or the duties of the Security Commission are:

a. To carry out the decisions, in matters of security, made by the presidents or by the Council of Foreign Ministers, or those decisions made by the Commission itself within the framework of its attributions.

b. To evaluate the fulfillment of the Central American agreements in matters of security.

c. To examine the security problems existing in the region that require a concerted action and to draft proposals to face them in an effective manner. These studies and recommendations will be submitted to the Council of Foreign Ministers for its approval.

d. To establish the necessary communication and coordination through the General Secretariat of the Central American Integration System with the entities, institutions, and secretariats of regional integration subsystems, the cooperation of which is deemed necessary to face the region's security problems in an integral manner.

e. To improve operation coordination mechanisms in the areas of defense, public security, and solidarity cooperation regarding humanitarian emergencies, threats, and natural disasters.

f. To draft regional coordination and support proposals with international organizations and agencies devoted to preserve peace and security as well as to continue the struggle against threats on people's security. These proposals will be presented to the Council of Foreign Ministers for approval.

g. To organize a Central American Information and Communications Mechanism for Security.

h. To prepare a permanent annual program of activities to develop confidence. These activities should involve the participation of the armed and public security forces of the region and the Central American civil society.

i. To prepare a system of periodic reports and registration of armament and its transfers in such a way that the information provided can be complete, transparent, and easily verifiable; to propose the gradual establishment of a balance of power in the region.

j. To study the information provided by the member states on foreign advisers and military personnel and other foreign persons who participate in military or public security activities in their territory. Subject to approval of Articles 56, 57, and 58.

k. To study the information provided by the governments on their respective military and security budgets for the current fiscal year and prepare joint proposals for the eventual adjustment of future budgets taking into account the international situation of each state.

l. To establish contact with the Central American organizations, which group other state branches or powers, to agree on legislative harmonization and modernization programs on the matter and training programs for judicial and police officials.

m. To prepare its internal regulations, which will be reported to the Central American Integration System's Executive Committee.

n. To provide all necessary protection measures for the security and confidentiality of information received from the various Central American countries.

o. To watch over the fulfillment of all provisions of this Treaty and comply with all the other functions that this Treaty provides for.

Article 11. To better fulfill its functions, the Security Commission can delegate work on subcommissions by sectors, which can be defense, public security, juridical, or subcommissions of various sectors.

Article 12. The Central American Integration System's Secretariat General can have voice participation in the meetings of the Security Commission and Subcommissions and will support the host country in the Commission Secretariat's work.

Article 13. The Security Commission will meet regularly with the frequency established by its members. The Commission will also hold special meetings in compliance with a decision of the Presidents' Summit or the Foreign Ministers Council or when requested by one or more of the members to debate an urgent matter. The quorum required for the sessions will be the presence of all of its members.

Article 14. The lack of a consensus in making a decision will give authority to the Security Commission's presidency to take the matter to the Foreign Ministers Council for a resolution.

CHAPTER V

MEASURES TO DEVELOP CONFIDENCE, CRISIS MANAGEMENT, AND SOLUTION OF CONFLICTS

Article 15. The Foreign Ministers Council, as the Central American Integration System's Principal Coordination Agency, will be responsible for adopting or recommending to the Central American Presidents Summit preventive measures, and those for crisis management

and solution of conflicts or controversies deemed pertinent in view of situations of any kind which, according to the governments or the appropriate agencies of the Central American Integration System, constitute a potential threat to the security of the states and Central American people.

Article 16. The governments, through their respective foreign ministries, will submit the situations referred to in the previous article for the examination of the security commission. They will also be able to go directly to the Council of Foreign Ministers.

The institutions, organizations, and secretariats of the Central American Integration System (SICA), through the SICA General Secretariat, could bring to the attention of such organizations any situation mentioned in the previous article.

Article 17. The General Secretariat of the SICA will be responsible for the organization and management of a Central American Index of Sustainable Development and Human Security indicators, and will draft regular reports on its state to the respective governments through the Central American Security Commission.

Article 18. Without causing any harm to the annual program of activities to promote confidence, which will be prepared and executed by the Security Commission, the member states commit themselves to:

a. Maintain permanent political consultations through a flexible and active dialogue on security matters in an integral manner.

b. Contribute to promote, at the regional level, all human rights and the culture of peace, democracy, and integration among the inhabitants of Central America.

c. Promote the contribution of the media of the member states to the objectives established in the preceding subparagraph.

d. Promote integrationist projects of border development within the framework of Central American solidarity and the democratic participation of the region's inhabitants.

e. Establish and strengthen the mechanisms of direct and expeditious communication among the border authorities.

f. Foster the exchange of experiences and military and public security information, consultations, and regular visits among authorities from the defense, public security, and related organizations, as well as the reciprocal granting of scholarships to study in their respective military and police academies.

g. Send written notifications to the other member states, via diplomatic channels, within a period of no more than 30 days prior to any maneuver, deployment, or planned military land, air, or naval exercise carried out less than 30 km from the border of another signatory state, under any of the following conditions:

1. If more than 1,000 troops are participating;
 2. If troops of a country other than the one in whose territory these operations are being conducted are participating;
 3. If 20 or more takeoffs of aircraft take place, including those of attack helicopters;
 4. If more than 300 paratroopers are expected to jump;
 5. If more than 100 navy troops are participating;
 6. If 10 or more combat vehicles are participating;
- h. Invite other member states to send observers to witness the development of the said activities.

The member states will acknowledge the civil and criminal jurisdiction immunities of the said observers agreed upon by the diplomatic officials in the Vienna Convention on Diplomatic Relations during the length of their mission and for those actions implemented while performing their functions.

Article 19. If unexpected military operations are conducted, in light of immediate threats on the state's security, the state carrying them out will report such activities as soon as possible, within the terms stipulated in the preceding article.

Article 20. In keeping with the stipulations made in Articles 18 and 19, the notification of military activities will include the following information: Name of the operation, objective, participant states, number of troops, type of weapons or equipment that will be used, name of the groups that will participate, geographic area in which the operation will take place, geographic coordinates of the points of arrival and concentration of the troops, and the dates the operations will begin and end.

CHAPTER VI

LEGAL FRAMEWORK FOR THE BEHAVIOR OF PUBLIC AUTHORITIES, ARMED FORCES, AND SECURITY FORCES

Article 21. In order to guarantee the individual's legal security, member states pledge that any action by public authorities must be within its respective legal order.

Article 22. Each member state will establish and maintain at all times an efficient control by legally estab-

lished civilian authorities of its military or public security forces. Each member state will ensure that these authorities comply with their responsibilities within that framework, and will clearly define the doctrine, missions, and work of those forces and their obligation to act only within this framework.

Article 23. Member states pledge to fully comply with International Human Rights' norms and principles, especially preserving the people's guarantees and rights.

Article 24. Member states recognize the importance that their public authorities, military security and forces guide their conduct under the principles and recommendations contained in the following UN General Assembly recommendations:

- a. 40/34 Declaration on the Fundamental Principles of Justice for the Victims of Crimes and Abuse of Power.
- b. 43/173 Group of Principles for the Protection of all Persons subjected to any form of detention or imprisonment.
- c. 45/113 UN Rules for the Protection of Minors Deprived of Freedom.
- d. 3452 (XXX) Declaration on the Protection of all Persons against Torture and other Cruel, Inhuman, or Degrading Punishment.
- e. 34/169 Code of conduct for law enforcement officials.

Likewise, the recommendations made during:

- a. The Eighth UN Congress on Crime Prevention and the treatment of Criminals.
- b. Basic Principles on the Use of Force and Firearms by law enforcement officials.

CHAPTER VII

PUBLIC SECURITY

Article 25. Member states pledge to encourage continual modernization of public security corps aimed at favoring the broadest and most efficient struggle against criminal activity and protection of rights as outlined in each country's domestic legislation.

Article 26. Member states agree to continue holding periodic meetings of the Chiefs of Police Association, which in turn will report its resolutions to members of the Security Commission, which in turn will foster treaties or aid agreements aimed at strengthening reciprocal cooperation and assistance between the area's public security forces.

Article 27. Member states pledge to foster higher levels of professionalism among its public security corps,

adopting as one of the measures, to put to work the Central American Institute of Higher Police Studies, as well as granting scholarships in its centers for police studies.

CHAPTER VIII

OVERCOMING POVERTY AND EXTREME POVERTY

OBLIGATIONS

Article 28. Member states recognize that poverty and extreme poverty are a threat to inhabitants and to the democratic stability of Central American societies. Thus, member states pledge to give priority to efforts to overcome poverty's structural causes and improve the people's quality of life.

Article 29. The Security Commission can recommend, in coordination with the Social Integration Secretariat and other appropriate organizations, actions and initiatives, in the following areas, among others:

- a. Attention to special situations that deserve priority action in certain areas and sectors that so require.
- b. Help the start of regional social policies and its action plan through agreed national and area efforts, within the framework of the Alliance for Sustained Development and the Tegucigalpa Protocol, as well as promoting horizontal and international cooperation on this topic.

Article 30. The adjusting of national budgets in accordance with each country's reality, will be aimed at the social sector for health, education, and those who contribute to improve the quality of life of humankind, as well as to society's most unprotected classes.

CHAPTER IX

OBLIGATIONS REGARDING THE ERADICATION OF CORRUPTION

Article 31. Public and private corruption represents a threat to the security of the inhabitants and states of the Central American region. The member states pledge to make every effort to eradicate corruption at all levels and in all forms.

Article 32. In this regard, the controlling entities of each member state will, as a whole, advise the Security Commission on the design, establishment, and implementation of regional programs and projects for research, education, and prevention of corruption, including modernizing and harmonizing laws to achieve this end.

CHAPTER X

OBLIGATIONS REGARDING THE ERADICATION OF THE ILLEGAL TRADE OF PRECUR-

SORS AND RELATED CRIMES LINKED TO DRUG TRAFFICKING

Article 33. The member states will promote cooperation to eradicate the illegal trade of precursors, and related crimes linked to drug trafficking according to international, regional, and subregional agreements of which the states are either members or might sign in this regard, particularly the Constitutive Agreement of the Permanent Central American Commission to Eradicate the Illegal Production, Trafficking, Consumption, and Use of Drugs and Psychotropic Substances [Comision Centroamericana Permanente para la Erradicacion de la Produccion, Trafico, Consumo y Uso Ilicitos de Estupeficientes y Sustancias Psicotropicas]. For this purpose, the member states will establish expeditious and effective mechanisms to facilitate communication and cooperation among the authorities in charge of this matter.

Article 34. Based upon the proposals made by the Permanent Central American Commission to Eradicate the Illegal Production, Trafficking, Consumption, and Use of Drugs and Psychotropic Substances or based upon its own initiative in coordination with the aforementioned commission, the Security Commission will formulate and send recommendations to the respective sector and various sectors councils without detriment to what has been established in the Constitutive Agreement of the aforementioned commission regarding the following matters:

- a. The strengthening of drug controls in the respective borders, ports, airports, airspace, and territorial waters;
- b. The coordination of efforts to detect drug trafficking, the illegal trade of precursors and related crimes, particularly the laundering of drug money and other drug assets, as well as the theft of vehicles, airplanes, and vessels without detriment to those regional mechanisms established to prevent and punish the aforementioned crimes; and
- c. Drafts of agreements regarding matters contained in Article 4, numeral 10, of the Constitutive Agreement that the Permanent Central American Commission to Eradicate the Illegal Production, Trafficking, Consumption, and Use of Drugs and Psychotropic Substances might prepare.

CHAPTER XI

OBLIGATIONS REGARDING THE ERADICATION OF TERRORISM AND ORGANIZED CRIME

Article 35. The member states pledge to fight all types of terrorism and sabotage from all sources with no exception and by all means prevent within their territory

the planning, preparation, and execution of activities directed to commit the aforementioned crimes and other crimes with regional and international consequences.

Article 36. The member states will enforce preventive measures in their respective territories to hinder the organization of this type of crime by individuals who are members of either terrorist groups or organizations or international or national gangs linked to organized crime in all of its forms. For this purpose, the member states will strengthen cooperation and will promote the exchange of information with immigration, police, and other appropriate authorities.

Article 37. In case this has not been done already, the member states will initiate the necessary procedures to approve, ratify, or subscribe to the following international agreements:

- a. Agreement for Processing the Illegal Seizure of Aircraft of 1963;
- b. Convention for the prevention and punishment of terrorist actions that constitute crimes against individuals and related extortion when these have international implications of 1971;
- c. Agreement for the repression of illegal actions against civil aviation security of 1971;
- d. Convention for the Repression and Punishment of Crimes against Internationally Protected Individuals, including Diplomats of 1973;
- e. International Convention against Taking of Hostages of 1979.

Article 38. The member states pledge to take measures to fight the actions of organized bands, which traffic with people from all over the globe in the region and have a negative impact in the region's security, to find comprehensive solutions to this situation that requires international cooperation.

CHAPTER XII

OBLIGATIONS TO ERADICATE THE ILLEGAL TRAFFIC OF MILITARY WEAPONS, MATERIEL, AND EQUIPMENT

Article 39. The member states pledge to fight the illegal traffic of military arms, materiel and equipment, as well as light weapons for personal protection.

To further this objective, the member states pledge to establish in the sphere of their national juridical procedures, specific, modern, and congruent laws for the commerce and bearing of weapons, explosives, and light equipment for personal protection and use, so as to allow for an effective control of this type of weapons at a regional level.

Article 40. Regarding the preceding article, the member states pledge to adopt all measures leading to their strengthening and effectiveness, in the framework of the existent mechanisms for assistance, cooperation and coordination to eliminate the illegal traffic of military arms, materiel, and equipment.

Article 41. When a gunrunning case cannot be resolved in the framework of national juridical procedures, the member state or the member states involved will try to resolve the problem through the communication and cooperation of their competent authorities.

The member states pledge to resolve, through diplomatic channels, those situations of illegal traffic of military arms, materiel, and equipment and equipment for personal protection and defense that involve two or more of the member states.

When the parties involved cannot reach an agreement, the affected party or parties can present the corresponding charges before the Security Commission. This commission will study the case and recommend appropriate measures to resolve the problem.

The commission will, when the case merits it and the involved parties accept it, appoint subcommissions to investigate the facts. The subcommissions will coordinate their work with the corresponding authorities in the affected member state or member states.

The charges, in any case, will include all the information available, such as the origin of the traffic; people involved; place of manufacture and type of weapons, ammunition, or equipment; means and transportation routes in the region and outside the region; storage places for the materiel; receivers or destination of same.

CHAPTER XIII

OBLIGATIONS TO ERADICATE IMPUNITY

Article 42. The member states pledge to make all the efforts possible to eradicate impunity. To further this objective, the Security Commission will establish contacts with related organizations to contribute in the preparation of programs that will lead to the harmonization and modernization of the Central American criminal justice systems.

Article 43. The member states recognize the importance of the Mutual Assistance Legal Treaty on Criminal Issues [Tratado de Asistencia Legal Mutua en Asuntos Penales] signed in Guatemala on 29 October 1993.

CHAPTER XIV

OBLIGATIONS TO PROTECT CONSUMERS, ENVIRONMENT, CULTURAL HERITAGE, AND RELATED CRIMES

Article 44. The member states pledge to carry out all the necessary efforts to promote cooperation to ensure the protection of Central American consumers, environment, and cultural heritage in accordance to the international and regional agreements on those issues or the agreements on those issues that can be signed in the future, especially the constitutive agreement of the Central American Environment and Development Commission. With this purpose, they will establish agile and effective communication and will have cooperation mechanisms between the authorities in charge of such matters.

Article 45. The Security Commission, based on the proposals it receives on these matters from the Central American Environment and Development Commission and the Central American Education and Culture Commission, as well as from other regional organizations or institutions, or by its own initiative, in coordination with these commissions, shall suggest and forward the recommendations to the respective sector and various sectors councils without prejudice to what is stipulated in the statutes of this commission and other regional councils, namely:

a. To strengthen the internal controls and the coordination of efforts to detect and stop the illegal traffic of cultural goods, and flora and fauna species, and their recovery, as well as the traffic and handling of toxic waste and hazardous substances.

b. To propose the creation of criminal figures [figuras delictivas — a behavior or act considered a crime according to the Penal Code] and make efforts to standardize and modernize laws to protect consumers, the environment, and cultural heritage with a view to achieving a common standard of security on these matters.

Article 46. The member states recognize that, in order to have an effective cooperation in these areas, it is necessary to start taking the steps, in case it has not been done, to approve, ratify, or adhere to the international and regional agreements on the protection of the environment and the cultural heritage.

CHAPTER XV

OBLIGATIONS ON ARMS LIMITATIONS AND CONTROL MATTERS

Article 47. The signatories commit themselves to reach, through negotiations, a reasonable balance of forces by means of establishing a system of arms limitations and control and a temporary program to adjust military forces and budgets, taking into account each state's internal and external situation.

Article 48. The adjustment of military forces or budgets shall take into account the geographic conditions concerning neighboring countries that are not signatories of the treaty and/or the presence of aiding foreign military forces in these countries.

Alternative Conciliation Proposal for Nicaragua. The reasonable balance and the corresponding adjustment of military forces and budget shall take into account the defense needs, based on such factors as geographic location, border expansion, and the presence of foreign advisers or forces.

Article 49. The member states commit themselves to abstain themselves from acquiring, keeping, or allowing the stationing or transiting of weapons for mass and indiscriminate destruction, including chemical, radiological, and biological weapons. The signatories are equally committed to not erecting or allowing the erection of installations used to manufacture or store this type of weapons in their respective territories.

The signatories recognize the validity of the treaty regarding the permanent neutrality and the operation of the Panama Canal, as states adhering to the Protocol of the Treaty, which guarantees at all times the peaceful and uninterrupted traffic of vessels from all nations through the Panama Canal.

Article 50. The member states reaffirm their obligations acquired through the signing of Tlatelolco Treaty on the Proscription of Nuclear Weapons in Latin America on 14 February 1967, as well as to start taking the necessary steps, in case they have not done so, to approve, ratify, or adhere to the following international agreements:

a. The 1925 Protocol forbidding the use of asphyxiating and toxic gases and others during a war;

b. The 1972 Agreement on the prohibition of the development, production, and storage of bacteriological, biological, and toxic arms and their destruction.

Article 51. The member states, in order to keep an effective control on their armaments, commit themselves to do the following:

a. Submit, at the Security Commission and as often as stipulated by the Foreign Ministers Council, a report on the distribution of their armed and public security institutions, their organization, installations, armaments, materiel, and equipment, except for those aspects that, given their nature, are reserved by the constitution of each state.

The report, defined as a state and regional secret, shall be drafted according to the inventory format and contents agreed on by the Security Commission, and shall

include all the naval, air, land, and public security information necessary to make such information complete, honest, and verifiable only and exclusively by the entities established in Article 5 of this Treaty or by those these institutions assign.

b. Provide information, at the Security Commission, on their respective military and public security spending allocated in their budget for the fiscal year in effect, taking as a framework of reference the "instrument for the internationally standardized presentation of military spending reports" the United Nations adopted on 12 December 1990, according to what is stipulated in paragraph k of Article 10 of this Treaty.

c. Organize the Central American registration system for armaments and their transfers, according to the proposal the Security Commission is drafting.

Article 52. Regarding all the information supplied according to what is stipulated in the previous article, each member state shall be able to request, at the Security Commission, from any other member state the explanations it deems necessary within the 60 days that follow the presentation of the information. The parties commit themselves to make the pertinent explanations within the 60 days that follow the date in which the explanation was requested.

Article 53. The Security Commission shall organize a uniformed registry for the arms, explosives, and equipment for exclusive use of the armed or public security forces. This registry shall be updated with information the member states commit themselves to provide continually.

CHAPTER XVI

OBLIGATIONS REGARDING THE BAN ON SUPPORTING IRREGULAR FORCES

Article 54. The member states reaffirm their obligation to abstain from providing political, military, financial or any other type of support to individuals, groups, irregular forces or armed gangs, which attempt against the unity and order of the state or endorse the overthrow or destabilization of democratically elected governments from other member states.

Article 55. In addition, the member states reiterate their obligation to prevent that their territory be used to organize or carry out actions armed or not, acts of sabotage, kidnappings or criminal activities in the territory of another state.

CHAPTER XVII

OBLIGATIONS REGARDING ADVISERS (PERSONNEL), BASES, SCHOOLS AND FOREIGN

MILITARY AND PUBLIC SECURITY INSTALLATIONS

Article 56. The member states commit themselves to present before the Security Commission, in the first semester of each year, a report on advisers and foreign military (personnel) and other foreign elements participating in military or public security activities in their territory.

Article 57. Each member state will maintain a record on the advisers performing technical functions related to training and the installation and maintenance of military equipment, a copy of which it will provide to the Security Commission.

The record will be maintained in accordance with the regulation agreed on by the Security Commission, which will also be able to determine reasonable limits in the number of advisers in all military and public security categories and specialties, taking into account the reality and internal needs of each member state.

Article 58. The member states will negotiate the limitation, with a view to the elimination of foreign bases, schools or military installations in the region. The extension of the existing accords on the same will be discussed at the Security Commission.

CHAPTER XVIII

CENTRAL AMERICAN MECHANISM OF INFORMATION AND COMMUNICATION FOR SECURITY

Article 59. The Central American Mechanism of Information and Communication for Security will consist of:

a. The Central American Index of Sustainable Development and Human Security, organized and administered by the Secretariat of Central American Economic Integration with the support of the secretariats and institutions of the Central American integration and the international organizations deemed convenient; and

b. The permanent communication mechanism that the parties hereby pledge to create and put into operation to facilitate a safe, effective, and rapid communication between the corresponding government, civilian, military, and public security competent authorities, among themselves and with the Security Commission, with the purpose of preventing incidents, dealing with emergencies, and facilitating the fulfillment of the objectives and obligations set forth in this Treaty.

CHAPTER XIX

PEACEFUL SOLUTION OF DISPUTES

Article 60. Without detriment to the provisions of the UN Charter and the OAS Charter on the peaceful solution of disputes, member states reaffirm their obligation to resolve any difference that may endanger the peace and security of the region through negotiations, investigation, mediation, conciliation, arbitration, judicial settlement or any other peaceful means to settle disputes.

Article 61. If a military incident between two or more member states occurred, the ministers of foreign relations will immediately get in touch to analyze the situation, avoid increasing tension, cease any military activity, and prevent new incidents.

Article 62. In case direct communication channels are not enough to achieve the objectives described in the previous article, any one of the parts can summon a meeting of the Security Commission or the Council of Foreign Relations Ministers, if it deems this to be necessary. In case of the latter council, the Pro Tempore Secretariat of the Ministers Council will make the necessary consultations with the member states and may previously summon the Security Commission to obtain its recommendations.

Article 63. The Presidents Meeting, the Council of Foreign Relations Ministers, and the Security Commission will make its decision by consensus in all affairs related to the peace and security of the region.

Article 64. The Central American Court of Justice and its Statute are an integral part of the system to peacefully solve controversies, for the states that have ratified them.

Article 65. The Secretary General of the Central American Integration System can call to the attention of the Central American Democratic Security Model offices, any situation or controversy susceptible of endangering the peace and security of the region and its inhabitants.

CHAPTER XX

VERIFICATION AND CONTROL

Article 66. The Council of Foreign Relations Ministers will verify the implementation of the rulings and the compliance of the obligations established in the current treaty.

The Security Commission must inform the Council of Foreign Relations Ministers on the issues stipulated in the previous paragraph and, especially, on the following aspects:

a. The member states' compliance of the material actions contained in this treaty, such as the opportune delivery of the required reports.

b. The member states' compliance with the maximum limit of weapons that are to be established, taking into

account the internal situation of each country and the non-introduction of weapons banned in Article 49 of the current treaty or that will be banned in the future.

c. The member states' compliance with the obligations related to the notification of military activities or maneuvers, as well as other notifications included in this treaty.

d. The result of the investigations that the Security Commission, by its own initiative, or by that of the Council of Foreign Relations Ministers, carries out in relation to reports that obligations included in the current treaty have been violated.

Article 67. The investigations will be carried out by the Security Commission or by an ad hoc group of academic experts that it appoints and estimates is most appropriate for the case. The investigations will include in situ inspections, compilation of information, technical and laboratory tests, and any other procedure estimated to be necessary to make an objective verification of the events.

CHAPTER XXI

SUPPORTIVE CENTRAL AMERICAN COOPERATION TO CONFRONT HUMANITARIAN EMERGENCIES, THREATS, AND NATURAL DISASTERS

Article 68. The member states will strengthen or, in their case, establish supportive cooperation mechanisms that will allow them to help each other in case of humanitarian emergencies, threats, and disasters that endanger populated areas.

Article 69. The member states will back the actions furthered by the Coordination Center for the Prevention of Natural Disasters in Central America (Cepredenac) to prepare and implement the Regional Disaster Reduction Program.

To this end, the member states promise to implement contingency programs at the level of their armed forces, public security organizations, and government institutions that will allow them to coordinate in an opportune and adequate manner.

Article 70. The institutions, secretariats, and organizations of Central American Integration System will participate, in coordination with Cepredenac, to further those joint efforts, through the Regional Solidarity Institutional Force which, with such a purpose, they will organize.

CHAPTER XXII

COLLECTIVE DEFENSE

Article 71. Any armed aggression against the territorial integrity, sovereignty, or independence of a Central American state by a state located outside the region shall be considered as an act of aggression against the other Central American states.

In such a case, the Central American countries, at the request of the attacked state, shall act together in solidarity to secure at the international forums and organizations the legal and political defense, through diplomatic means, of the attacked Central American state.

Article 72. In case of an armed aggression, once the entities of conciliation and peaceful solution to conflicts have been exhausted, if possible, the Central American countries, at the request of the attacked state, through the measures and procedures agreed on at the Council of Foreign Ministers and according to the UN and OAS Charters. [sentence as published]

Article 72 [number as published] In case of armed aggression, the Central American nations, at the request of the attacked country, shall ensure the solidarity and collective defense from the aggressor through the measures and procedures agreed on established within the framework of the Council of Foreign Relations Ministers and according to the UN and OAS Charters." [no opening quotation mark as published]

This proposal was accepted by the delegations of Honduras, Nicaragua, Guatemala, and El Salvador. Panama is consulting it, and Costa Rica proposed the following text for this article:

(Article. Any armed aggression by a state located outside this region against the territorial integrity, sovereignty, or independence of a Central American state shall be considered as an act of aggression against the other Central American states.

In such a case, the Central American countries, at the request of the attacked state, shall act together in solidarity to secure at the international forums and organizations the legal and political defense, through diplomatic means, of the attacked Central American state).

(Article. Once the entities of conciliation and peaceful solution to conflicts have been exhausted, the Central American countries, at the request of the attacked state, shall secure the solidarity and collective defense from the aggressor, through the measures and procedures agreed on at the bosom of the Council of Foreign Relations Ministers and according to the UN and OAS Charters).

The Security Commission shall create an ad hoc operational organization in charge of planning and coordinating the compliance with the commitments included in this chapter for the operational support to cooperation matters in cases requiring solidarity such as human emergencies, threats, and disasters.

CHAPTER XXIII

MEASURES OF SOLIDARITY AND COOPERATION FOR REFUGEES AND DISPLACED AND UPROOTED PEOPLE

Article 73. The member states reaffirm their political resolve to appropriately reinsert their refugees and displaced and uprooted people who return voluntarily to their respective territories, so that they shall be able to exercise all their civic rights and improve their standard of living under equal opportunities, taking into account the internal situation of each state.

Article 74. The member states commit themselves to make all the necessary efforts and to promote direct and international cooperation to contribute to resolving this problem, according to the international, regional, subregional, and bilateral agreements of which they are signatories or to those agreements on these matters which could be signed. With this objective in mind, they shall strengthen or establish expedite and effective communication and cooperation mechanisms among the authorities in charge of these matters.

Article 75. The Security Commission, based on the proposals it receives on these matters from the proper regional organizations or institutions or by its own initiative, in coordination with these organizations, shall suggest and forward the recommendations to the respective sector and various sectors councils.

Article 76. The member states commit themselves to take joint positions and strategies for the legitimate defense of their respective nationals living abroad, regarding measures on the repatriation and expulsion of their immigrating nationals.

CHAPTER XXIV. CENTRAL AMERICAN MODEL OF DEMOCRATIC SECURITY AND ITS RELATIONSHIP WITH HEMISPHERIC AND WORLD SECURITY SYSTEMS

Article 77. No provision of this Treaty may be construed as going against the provisions of the UN Charter or the OAS Charter.

Article 78. The Foreign Ministers Council will report to the United Nations and the OAS all accords or decisions dealing with peace and regional security, the reporting of which is deemed important for entities tasked with hemispheric and world security.

Article 79. The Foreign Ministers Council will be the entity tasked with coordinating the efforts of the region as a whole, with initiatives in the struggle against threats to democratic security on the continent and elsewhere in the world. In this regard, it will be the responsible entity for discussing positions and signing accords or cooperation agreements with the institutions and bodies responsible for keeping peace and international security, aside from the commitments established previously by each member state with the international community.

CHAPTER XXV. FINAL PROVISIONS

Article 80. Every dispute over the application or interpretation of this Treaty will be presented before the presidents' meeting and in case it is not resolved, the means for a peaceful solution stipulated in Article 60 will be used. If they are still unresolved, these disputes will be presented before the Central American Court of Justice in accordance with Article 64 of this Treaty.

Article 81. This Treaty does not allow exceptions.

Article 82. This Treaty will be ratified by each signatory state, in accordance with its respective constitutional provisions. The ratification instruments will be placed with the Secretariat General of the Central American Integration System, which will forward certified copies to signatory states.

Article 83. This Treaty will have an indefinite duration and will enter into effect one week after the third ratification instrument is placed with the Secretariat General for the first three states and on the date the corresponding ratification instruments are placed with the Secretariat General for other member states.

Article 84. Upon the entry into effect of this Treaty, the Secretariat General will forward a certified copy of the same to the UN Secretariat General, for the purpose of Article 102, Paragraph 2, of the UN Charter, and to the Secretariat General of the OAS.

(Article 85. Five years after this Treaty goes into effect, and before or after at the request of two member states, the Security Commission will convene a meeting of all member states to evaluate and agree on modifications deemed necessary. Said modifications will be submitted to the presidents' meeting for discussion through the Foreign Ministers Council).

Article 86. Denunciations to this Treaty must be reported to the party with which documents were placed, which will in turn notify the same to the member states. Said denunciations will enter into effect one year after their notification; however, the provisions of this Treaty will continue to be applied to those projects or regional actions that are underway until they conclude.

This Treaty will remain in force as long as at least three member states are adhered to it.

(Article 87. This Treaty repeals all provisions contained in previous agreements that are opposed to the same).

CHAPTER XXVI. TEMPORARY PROVISIONS

Article 88. While this Treaty enters into force, the Security Commission will continue to operate in accordance with the mandate received from the Central American presidents' meeting and those derived from the Foreign Ministers Council, and it will act in keeping with the principles and objectives of this Treaty.

IN WITNESS WHEREOF, the presidents of the Central American republics sign this Treaty in the city of San Pedro Sula, on 15 December 1995.

OBSERVATIONS BY COSTA RICA, GUATEMALA, AND PANAMA TO THE CENTRAL AMERICA DEMOCRATIC SECURITY DRAFT TREATY

Article 2: (Panama)

Replace the parentheses, (and the collective defense), by the following modification: "and the needs of cooperation among all Central American countries to guarantee their security."

Article 3.

Subparagraph C (Costa Rica)

Proposes to initiate the paragraph in the following manner: "democratic security is based on respect..."

Subparagraph E (Costa Rica)

Proposes to add the following paragraph after "responsibility:" "through a continuous and sustained process of consolidation and strengthening of the civil branch and the promotion of a peace culture, dialogue, understanding, demilitarization, and tolerance based on the democratic values that are common to it."

Subparagraph F (Costa Rica)

Proposes to include the following phrase after "established": "arising from free, honest, and pluralist electoral processes..."

Subparagraph M (Costa Rica)

Proposes its elimination.

Subparagraph Q (Costa Rica)

Proposes its elimination.

New Subparagraph (Guatemala)

The national unity and territorial integrity of the states.

Article 4.

Subparagraph C (Costa Rica)

Proposes it read thus: "limit, control, and in its case, reduce..."

After "internal situation" add "according to the region's situation and conditions and to what the authorities of democratically-elected governments in each member state decide."

Subparagraph I (Costa Rica)

Add the following after "Treaty;" according to the instruments of international law" and that the paragraph end in "correspondingly."

Article 5.

The creation of a citizen security consultative committee in the sense established in the Tegucigalpa Protocol.

Article 10.

Subparagraph J (Panama)

Examine the information that the member states promise to provide on foreign advisers and military personnel and other foreign elements participating in military or security activities in its territory in conformity with what is established in Article 56 of the current treaty.

Subparagraph K (Costa Rica)

Proposes to change the paragraph for the following: "examine the information provided by the governments on their respective military and security budgets according to the fiscal year in which it is to be implemented and prepare joint proposals to limit, control and, in its case, reduce the future budgets in accordance to the internal situation of each state and the conditions prevailing in the region."

Article 15. (Guatemala)

Replace the word "administration" [gestion] for the word "management" [manejo].

Article 21. (Costa Rica)

Proposes to add at the end of the paragraph: "and full respect for the international instruments on human rights."

Article 23. (Guatemala)

Add a phrase at the beginning so that the article reads: "In the eventuality of a foreign armed conflict, the member states promise to fully comply with the norms and principles of international humanitarian and human rights law, especially preserving the guarantees and rights of the population."

Article 42. (Costa Rica)

Proposes to eliminate the phrase: "make all the efforts for."

Article 43. (Panama)

Proposes to add after "29 October 1993, the special nature of the conventional treaties that establish the right to asylum and refuge.

(Costa Rica)

In the same sense and place proposes: "and the special nature of constitutional rulings and treaties and conventions that establish the right to asylum and refuge."

Article 47. (Panama)

Where it says "adaptation of the forces and budgets" replace the word "the" [las] for "their" [sus] and "the" [los] for "theirs" [sus]. Likewise suggests that the final phrase "internal and external situation of each state" be eliminated.

(Costa Rica)

It is proposed to add "control, and, in its case, reduction of ..." after "limitation."

Article 48. (Guatemala, based on the alternative proposal suggested by Nicaragua)

"The reasonable balance and corresponding adequation of military forces and their budgets will take into consideration relevant geographical conditions in relation to third countries and the presence of forces and/or foreign military advisers in the latter countries."

(Costa Rica)

Endorses Nicaragua's conciliation proposal.

Article 55. (Costa Rica)

It is proposed to eliminate "or not."

Article 56. (Panama)

It is suggested to include "according to international treaties they are part of" after "present."

Article 58. (Panama)

The recommendation to eliminate this article stands.

Article 66. (Costa Rica)

Paragraph B. It is proposed to add "and prevailing conditions in the region" after "internal situation of each state."

CHAPTER XXII. (Costa Rica)

It is proposed to eliminate this whole chapter.

Article 71. (Panama)

Paragraph 2. It is suggested to add "shall strive" after "attacked."

Article 72. (Panama)

It is suggested to replace it with: "In case of armed aggression, the Central American countries will strive to act jointly for a prompt restoration of peace through measures and procedures agreed by the Foreign Ministers Council and in accordance with the UN Charter, the OAS Charter, and the Treaties they are a part of."

Article 73. (Costa Rica)

It is proposed to eliminate "as citizens."

(Guatemala)

To add "voluntarily and peacefully" after "who return."

Article 85. (Costa Rica)

It is recommended to leave the proposal currently in brackets.

(Panama)

They would endorse the proposal of one or more Treaties to call for a meeting to revise the Treaty.

Article 87. (Panama)

A new wording is proposed: "The provisions of this Treaty shall be interpreted according to the letter, spirit, and international law and annuls all Central American integration provisions to the contrary."

Article 88. (Panama)

It is proposed to eliminate the last phrase of Article 88, which says: "And will act observing the principles and objectives of this Treaty."

FINAL REMARK

Costa Rica proposes that Chapters V, XV, XVI, and XVII be incorporated into an instrument that will be an annex to the Treaty on Democratic Security in Central America.

Cuba

Further Reportage on National Assembly Meeting

Sessions Held on Eve of Meeting

PA2612040595 Havana PRENSA LATINA in Spanish
0015 GMT 27 Dec 95

[By Javier Rodriguez]

[FBIS Translated Text] Havana, 25 Dec (PL) — The National Assembly of the People's Government [ANPP] Standing Work Committees held sessions in Havana today on the eve of the ANPP General Assembly scheduled for 26 December.

The Committee for Constitutional and Legal Affairs approved the Assembly Regulations bill. Afterward, it will be presented before the ANPP for approval. The bill contemplates the strengthening of all the committee's working mechanisms, the rights and duties of all deputies, and acknowledgment of authority to carry out their duties.

The bill tackles in detail the procedures pertaining to the deputies' immunity, as well as the procedures and power vested in the Attorney General's Office of the Republic with regard to the mentioned immunity, in accordance with the 1992 constitutional amendments.

The bill, which has been in the works since 1993, regulates the observance of hearings to listen to specialists on concrete issues that are of interest to the deputies and the outline of constitutional control of each legislative project.

The Committee for Production reviewed the situation of the sugarcane harvest, which has just commenced with the announcement that 14 sugar mills are working and 145 of these mills will be working throughout the country by the end of January 1996.

This committee vows for the increase of efficiency and industrial production; therefore, the Sugar Industry Ministry stressed the importance of ensuring that control measures are fully implemented, based on the principle of correcting existing deficiencies and supporting the recovery of this branch of the economy.

The Committee for Economic Affairs approved the report to be presented by its president, Osvaldo Martinez, before the General Assembly. It also approved the 1996 working plan, which includes a hearing on reforms to the banking system to be implemented next year.

Likewise, the committee will hold meetings to evaluate and control the implementation of the national budget and the 1996 economic and social plan. Both documents will be approved at the present period of sessions.

The Committee for Economic Affairs is also planning to carry out special meetings to evaluate the process of foreign investment in the country, as well as the results of the restructuring of the economy, including the industrial aspect and the employment situation.

The Committee for Foreign Affairs informed during its working meeting that the ANPP met with 678 personalities from 50 different countries visiting Cuba in 1995.

A total of 66 delegations, primarily from Latin America, are forecast to visit Cuba in 1996. This demonstrates that the ANPP has increased relations with similar organizations from the various continents.

Foreign Minister Roberto Robaina said during the session that the country's resistance to the blockade and U.S. measures of pressure, together with President Fidel Castro's presence in the international arena in 1995, have made it possible to overcome many of the myths regarding Cuba.

Robaina said that in addition to the mentioned facts, positive political and economic results were visible during 1995 and that the process of recovery is unstoppable.

Holds 6th Regular Session

PA2812003895

[FBIS Editorial Report] Havana Tele Rebelde Network in Spanish at 0015 GMT on 27 December broadcasts a recorded "summary" of the first meeting of the sixth regular session of Cuba's National Assembly of the People's Government [ANPP] at the Conventions Palace in Havana.

ANPP President Ricardo Alarcon opens the session "with the participation of 534 deputies, which represents 91.5 percent attendance." Alarcon calls for a minute of silence to honor Comrade Jose Alberto Naranjo Morales, a founder and 15-year member of the ANPP who died on 23 December.

Alarcon asks the participants to state any views they may have on the agenda for the session. He then calls for a vote on the issue, which is approved. Alarcon says they will now proceed to examine the agenda, adding: "Given that points one and two are similar, we have deemed it appropriate to analyze them together." He asks Jose Luis Rodriguez, vice president of the Council of Ministers and economy and planning minister, to comment.

After comments by Rodriguez and Finance and Prices Minister Manuel Millares, Alarcon announces the participation of Deputy Osvaldo Martinez, chairman of the

ANPP Economic Affairs Commission, who presents the commission's views on the topics under discussion.

Martinez says: "The Economic Affairs Commission has reviewed the implementation of the 1995 budget implement and the 1996 draft budget, as well as a report from the economy and planning minister on the main points of the 1996 economic and social plan, and the progress of the national economy regarding the economic policy measures implemented in 1995. The results attained by the Cuban economy in 1995 are a prominent part of the resistance and creation used during the special period." He says that in December 1993 "the economy was in a critical stage;" the GNP had dropped "almost 35 percent;" the budget deficit was "33.5 percent of the product;" foreign trade "dropped 75 percent;" foreign capital investments were far below current levels; excess liquidity totaled "more than 12 months worth of salaries and wages," and "69 percent of the state enterprises were unfeasible."

He says, however, "the collapse of the economy was curbed in one year, and 2.5 percent growth was achieved in the second year, despite a marked decrease in sugar production," increasing "confidence in the business sector and the viability and stability of our economic policy." He adds that this is proved by "a marked interest in the possibility of investing and doing business with Cuba," and this includes "relevant North American firms." Martinez says many who previously predicted the collapse of the Cuban Revolution now believe Cuba might attain economic growth levels comparable to those achieved by the so-called "Asian Tigers." The commission chairman says: "The recovery was evident in most sectors. The manufacture industry increased 6.4 percent, and agricultural activities, including hunting, silviculture, and fishing, increased 4.2 percent." He says: "Food production increased 11 percent by the third quarter" of 1995; the budget deficit was reduced; "liquidity accumulated in the people's hands" was reduced, albeit at a slower rate; the "efforts to put domestic finances on a sound basis" resulted in a stronger peso exchange rate at the unofficial market, and the number of tourists "increased 20 percent" and gross revenues in the sector increased.

Martinez refers to areas where results have been unsatisfactory: "Sugar production dropped to 3.3 million tons," which resulted in "less export revenues" and made it necessary to "finance foreign trade with costly short-term agreements." Likewise, the "average 20-month delay in constructions for the tourism sector" creates problems for the planned growth of this strategic sector, and "the increase in the prices of certain imports created additional complications." "The increase in fuel prices

only represented additional payments that totaled \$87 million in 1995."

The official emphasizes the need to reduce further the deficit, "which totals \$775 million, 85 percent less than in December 1993." He says the "Cuban economy will never give up its socialist guidelines and principles" and opt for "the blind power of a private market devoid of regulations." He also says "supplies are not guaranteed" and cannot be "negotiated years in advance" with a favorable exchange agreement, and the ability to obtain supplies "depends on the availability of financial resources." Martinez ends by reviewing the country's economic goals and budget allocations for the housing, production, health, education, and social security sectors. He says Defense and Interior Ministries expenses continue along a downward trend through a "successful policy of cutting expenses without reducing the country's defense capability. These expenses are 4.7 percent less than the 1995 estimates."

Alarcon then announces the participation of Deputy Jose Luis Toledo Santander, Chairman of the ANPP National Defense Commission, who reads a proposal recognizing the Youth Labor Army leaders and members for their role in the food production sector. The proposal receives a round of applause.

Alarcon says the round of applause clearly indicates the Defense Commission's proposal is accepted. He then announces the participation of Deputy Leonel Gonzalez, from Cabaiguan Municipality.

Deputy Gonzalez says he considers important the fact that they now have a plan that foresees important growth. He adds: "Even though we do not have a copy of the document, a point which makes it difficult to conduct an analysis, in my case it is an act of faith, given the absolute trust I have in my government and the leaders of the revolution," to establish the guidelines that will become a plan once they are approved by the ANPP. He says his commission has reviewed the budget with Minister Millares on 24 December, and "I confess that although Millares generally convinces me, there are certain elements of the budget about which I was not convinced." He says a 30 percent budget reduction is quite an achievement, notes an increase in social, health, education, community services, housing, and social security, and says sports programs for the 1996 budget are commendable, because it has been done despite the extremely difficult conditions they have faced and will face in 1996.

Gonzalez adds: "True, a reduction in the circulation tax and a decrease in services creates a difficult situation," but everyone understands "that people are buying less cigarettes and alcoholic beverages, because sometimes,

as in the case of beer, there is less to buy or because people establish their priorities, and people would rather eat, clothe themselves, and fulfill basic needs than smoke and drink." Furthermore, "the increase foreseen in important areas of the economy should revert in more services."

Gonzalez says: "When I said Millares had not convinced me, I had meant I do not think the foreseen tax increase will fulfill needs." The deputy believes the tax revenues estimate is "too conservative," because "it is less than 100 million pesos." According to his own estimates, if Cuba has "250,000 self-employed workers and if each one has an annual income of 5,000 pesos, it is obviously ridiculous. If a 10-percent tax is implemented, it would guarantee 125 million pesos, yet the budget proposal mentions 91 or 92 million pesos." The deputy also reviews budget estimates by sector and province, and he emphasizes "the need for fiscal discipline in the country," adding "it cannot be enforced with conservative figures."

Speaking about tax revenues, the deputy says "collection increased this year," but the truth is "people still do as they please" despite the Labor Ministry's efforts, the Finance Ministry's efforts, etc. He says it is necessary to strictly enforce the law and to defend the workers, the workers' salary, and the state, which belongs to the workers." Gonzalez says "self-employed workers in Cuba may have much money, but they will never have political power, because the power belongs to the people and the workers, but this political power should lead us to exercise a greater influence to reduce profits and this concentration of money."

Alarcon announces the participation of Deputy Emilio Vega, who reviews budget allotments and agrees with what has been said by other speakers. He agrees that positive results have been achieved through the implementation of various measures, with the people's support. He says the budget figures reflect the resources available in the country to carry out its activities. Referring to the 1996 budget deficit, "an estimated 500 million pesos," he mentions the 815 million pesos listed under other taxes and duties. He says "this could very well cover all the expenses incurred for the country's defense, which total 632 million and which were subject to a reduction of 30 million pesos in the 1996 budget, as well as the 195 million pesos allocated to the production sector."

The deputy says he agrees with the people, who believe the tax law "has not been enforced as it should, and this should be done without delay." He says "results have yet to be achieved" in this area, and "the self-employment sector includes more than 208,000 people who have yet

to pay the correct amount in taxes." Furthermore, he says, "many people are self-employed but have yet to be registered;" this is more evident in the so-called home restaurants, because a large number of them operate but fail to pay taxes.

Alarcon then announces the participation of Alfredo Reyes Acosta, deputy for San Miguel del Padron Municipality.

Reyes welcomes the fact that positive results have been achieved in the economy, adding: "The 1996 budget figures are eloquent." He then refers to "subsidies due to losses in the Foreign Ministry" and says he would like an explanation about this issue and the plans for 1996. "The document states that the Foreign Ministry is in last place among the other ministries with an estimated 5 million [currency not specified] in losses for 1995, and there is a 104.4 million [currency not specified] increase for 1996. It will be the ministry that receives the most subsidies, second only to the Sugar Industry Ministry and the Agriculture Ministry. Because the reasons for the increase are not given, I would like the corresponding minister or the finance minister to clarify this change and explain what the outlook for this organization is."

Alarcon announces the participation of Lazaro Barredo, deputy of Calixto Garcia Municipality.

Barredo says he would like to reassert that the "presentation of what has been carried out in 1995 and the basic ideas about the economy plan and state budget, as well as the 1996 budget," demonstrate that "the nation is on a sound basis" despite the "efforts to minimize with biased analyses our endeavors against the harsh tests faced in these difficult years." He says: "The results achieved prove the value of our struggle and goals and the evident reality that our political project still has incalculable reserves, contrary to a large number of our neighbors who face a serious governability crisis."

The deputy then says: "What Minister Millares said needs to be clarified as much as possible in all our municipal and provincial assemblies and our national assembly. In meetings with various citizens I learned about their concern regarding the decision to implement progressive taxes in national and convertible currency to the personal income from many of the activities we have established in the reforms, including self-employment, home restaurants, etc."

Barredo says: "People are afraid this tax will revert to them through an exaggerated increase in higher prices. If we fail to fulfill that obligation with the state, we will provoke deep inequalities that would threaten society." He then says "the principle of social justice, with its

egalitarian character, was not abandoned, not even in the most critical moments of the special period, despite the risk of increasing the internal financial balance, as it occurred."

The deputy says: "During the discussion of the economic reforms, there was concern among those who rely on their salaries about possible consequences." He adds: "This is the inevitable cost we must assume if we must contribute to the country's recovery, which would benefit all of us." He says: "Taxes are never popular measures," but "we must make others understand we have no other solution but to enforce the tax law in a consistent manner." Barredo says "those who earn more must make larger contributions for public expenses" and "help alleviate the state subsidy, totaling 360 million pesos, for the family basket products." He says "many of the people who are getting rich with the informal economy have yet to pay the cost of their license, and they begrudge the country the contribution they must make for society."

Deputy Luis Brito Jimenez identifies himself as deputy for Vertientes Municipality and secretary of the National Construction Union. He says the reports presented refer to inefficiency in construction projects, particularly tourist related construction projects. Brito says he met with the union leadership and its members realize that the problems mentioned must be overcome, because they are an obstacle to achieve economic goals.

He says it was not until September that they learned about the problems with delays reported in this meeting. Brito says "we are increasing moral incentives at these tourist centers and must continue to improve our attention in these places." He says "we must further practice the teachings of our revolutionary armed forces. We think that at the main tourist centers, especially in Varadero and Cayo Coco, there must be a sole leadership on the builders that are there. The country is divided in armies, and each army has its own command, its own chief, but this is not the case in Varadero and Cayo Coco, and we think this has a bearing on the effectiveness of the work we must perform."

The deputy adds: "I must say self critically, on behalf of the union and myself, that we should have been more demanding, that we must have been more intransigent when learning about certain problems that reached certain levels, and upon reflecting on the situation facing us today, I reached the conclusion that we failed to act as we should have once we realized that."

He ends his statement by reaffirming the builders' willingness to do their part to achieve the goal of increasing the efficiency of constructions.

Deputy Jorge Luis Dominguez Diaz identifies himself as deputy for East Havana Municipality and says he will also refer to delays in the construction of tourist facilities. He says: "It is too late now, because current delays go against government plans for the tourist sector. Tourism is destined to represent a large source of foreign currency for the country. It is shameful to tell our people—to whom we have said tourism is a priority, that the resources for tourism are a high priority—that there is a more than 20-month delay in the construction for tourism."

Dominguez adds that "this is paradoxical if we compare this, for example, to what we were told today about what the Youth Labor Army, EJT, and the Revolutionary Armed Forces are doing. They are carrying out very important tasks. It is incredible what the EJT is doing for the people at low prices. These are formulas and examples that should be emulated. I believe the tourism builders must sit down to analyze this matter. We heard their explanations, and there are an endless number of explanations we could give. We do not justify them. We reaffirm this view here again."

Alarcon gives the floor to Comrade Omar Ramadan, who does not identify the area he represents. He says all reports presented underscore the need to increase efficiency. He adds that "these difficult years have taught us how to achieve superior results through much more dedicated work, but life has also told us we have a long path to journey in this area, based on the analyses that are made."

Ramadan adds that his province planned to increase sugar production by 68 percent and sugarcane yields by 48 percent compared to last year, and this goal "demands not only that we work well, but work very well in order to be able to deliver."

He praises the accurate manner in which the Ministry of the Revolutionary Armed Forces confirms and analyses how goals are being met each year.

Ramadan says: "I believe we have a long way to go regarding efficiency and the achievement of results. There is also no doubt that guidelines and actions are planned for next year, aside from the definition of certain controls that will not be announced not because there is fear but because it is a joy to ascertain and confirm what is permanently done well."

Alarcon then announces Deputy Otto Rivero Torres, of the Economic Affairs Commission.

Torres reviews the country's economic achievements and says the budget again affirms what the country invests in education, health, and social security programs. "When we see what has happened in countries that have

strayed from the path of socialism and what happens in Latin America, I believe our people, basically the workers of the education and health sectors, should greatly value the disbursements the country makes in these sectors." He also refers to the subsidy for losses and says "the ANPP must strongly criticize local industries, because it is a paradox that the self-employed are making pretty things that attract the people and that the people buy and eventually allow a group of people to become rich while local industries offer ugly things and the stores are full of ugly things no one buys, and this situation results in considerable losses for the state and increases the budget deficit."

After additional remarks by Alarcon, Economy and Planning Minister Jose Luis Rodriguez begins to speak, followed by Finance and Prices Minister Millares and President Fidel Castro.

Economy Minister Addresses Session

PA2712201295 Havana Tele Rebelde Network
in Spanish 0019 GMT 27 Dec 95

[Speech by Jose Luis Rodriguez, economy and planning minister and vice president of the Council of Ministers, at the first meeting of the sixth regular session of the National Assembly of the People's Government at the Convention Palace in Havana on 26 December — recorded]

[FBIS Translated Text] Commander in Chief Fidel Castro, companero Ricardo Alarcon De Quesada, president of our assembly, companero deputies, and guests:

Over the past five years the Cuban economy has managed to overcome the most dramatic challenge of its history, a challenge marked by the impact the economy suffered from the disappearance of the Socialist Bloc and the tightening of the U.S. blockade. Our people's admirable capacity to resist is what has allowed us to survive, united, overcoming not only acute material shortages but also our enemies' pressure to try to get us to give up the banners of socialism and national independence in response to the siren songs of neo-liberal capitalism.

This was undoubtedly a colossal feat: Following a drop of almost 35 percent in the GDP between 1989 and 1993, in 1994 we were able to halt the trend with a modest growth of 0.7 percent, and in the year that is about to end we expect to reach a 2.5-percent growth rate.

To successfully neutralize the impact of the crisis it was necessary to undertake a profound process to transform our economic policy. This entailed inevitable social costs, but we were always able to rely on the political

consensus of our people and to maintain the perfecting of socialism as our main strategic goal.

Under the complex and changing economic circumstances that we have had to endure, it has become evident that we need a planning system that will cover the entire picture; a system capable of anticipating and foretelling in a society in which the political power of the entire people demands more precise instruments for direction and control at the social level.

After several years of intense work, these modest advances and the experience in direction that we accumulated have created the indispensable conditions that enable us to present to this assembly the basic tenets for our economic and social plan for 1996.

Of course, we are talking about a different and more complex plan than those that were drafted in the years before the special period. Currently we have to plan with a higher degree of uncertainty, since we no longer have a guaranteed supply at stable prices — such as that we enjoyed earlier — nor a sure market for our exports. We have to plan our work in a society in which various forms of ownership coexist in different degrees. We have to take into account an economy that, compelled by the circumstances, works with a duality of currencies as pesos and foreign exchange circulate indistinctly in the country. We have to consider the financial factors that bring us an available amount of foreign exchange that is still lower than our needs with the resultant requirement for [words indistinct].

All of this entails a complex process of balancing the scarce material and financial resources available, on the one hand, and the growing demand in production and consumption, on the other. These growing demands must be satisfied by using a priority system in which our indispensable needs will receive due attention at the same time the measures that will help us overcome the crisis obtain the support they require.

In spite of these difficulties, we are greatly encouraged by the fact that already the economic results of 1995 mark the beginning of our country's economic recovery. In effect, as we have already noted, the year that is about to end closes with a growth of 2.5 percent of our GDP. As the Economic Commission for Latin America [ECLA] acknowledged a few days ago, this figure compares quite favorably with the 0.6 percent growth rate recorded in Latin America.

This result marks the start of nearly all areas of the economy [word indistinct] a consequence of the [passage indistinct] a policy of domestic financial cleanup. The budget deficit [passage indistinct].

The domestic financial clean-up continues to positively reflect in the drop in price of the formal economy, which is estimated to have reached [word indistinct] percent in 1995. Also, the dollar quoted in this economy dropped 58 percent during this year, with a drop in the main exchange rate from 60 to 25 pesos to the dollar.

Likewise, cattle farming prices are estimated to have dropped on average 10 percent during 1995, even though there are fluctuations.

Even though the estimated goals have still not been reached, a discreet valuation of the national currency begins to be seen and the need for money begins to exert a positive pressure on the demand for work in some sectors and territories.

Complementing this, measures were adopted that have contributed to the orderly domestic circulation of the freely convertible currency. Calculations using the convertible peso were started with positive results. Savings deposits in foreign exchange were authorized, and a small network of currency exchanges from pesos to convertible currency were established, which also yielded encouraging results.

The ownership of foreign currency by the people, which was estimated at 21 percent from a poll taken in December 1994, has shown an increase between 40 to 50 percent of the people from polls taken in March and October 1995. During 1995 the new foreign investment law was approved, which created more favorable conditions for developing joint economic ventures with foreign capital. These surpassed 212, with an investment pledge of \$2.1 billion at the close of the first half of the year.

The policy authorizing self-employment continued to develop gradually, which right now accounts for more than 208,000 people registered at this moment. This measure was accompanied by [words indistinct].

Also, as part of the policy seeking to raise economic efficiency, in 1995 a process of reorganization and redimensioning of the Cuban economy was begun.

This process [words indistinct] of the existing capability and available resources to use them to their utmost. Finally, during 1995, it is necessary to point out the results of the informal talks between the National Bank of Cuba and our most important creditors. The efforts to progress during this year were also expressed in a 4.2 percent growth in agricultural activities, including hunting, forestry, and fishing, and a 6.4 percent growth in the manufacturing industry. Investments increased by 4.2 percent, although their efficiency remained low, particularly regarding construction and assembly. For instance, in the tourism sector, only 40 percent of the

completed rooms plan was finished and the delay in the construction of the main installations averaged more than 20 months at the year's close.

During 1995, significant progress was made in a considerable number of products and services which cannot be ignored, although they are far from meeting the people's needs. The progress included in the following products have to be pointed out. Tubers and vegetables, excluding the private sector, 19.7 percent; potatoes: 35 percent improvement; nickel: 364.4 percent; citrus fruits: 7.1 percent; tobacco: 52 percent; gross fishing catch: 13.2 percent; steel: 45.7 percent; cement: 31.2 percent; oil pumping: 16.7 percent; total fertilizers: 140.4 percent; and generation of electric energy: 5.2 percent, for a total energy generation factor of 58 percent at the end of the year, as compared to 55 percent in 1994.

In addition, the gross revenue from tourism increased and the number of tourists increased by 20 percent. Also, exports increased by 20 percent and imports increased by 21 percent, all of which improved slightly this year's trade balance. The country's positive economic improvement took place in a social environment in which the services of education, health, security, and social assistance were maintained and in some instances improved slightly. The 1994-1995 school year evolved normally, and the 1995-1996 school year started without closing a single classroom or leaving a single school-child without classes.

The child mortality rate was kept below 10 for every 1,000 born alive until November. The short-term payment of social security pensions and benefits was maintained and attention was paid through social assistance to the population's most sensitive sectors.

In general, although the country's economic evolution in 1995 presents an encouraging and generally positive balance, still it shows important imbalances. First, the most unfavorable economic results are expressed in sugar production of 3.3 million metric tons in this sugar crop for a decrease of 16.8 percent in relation to the preceding one.

There is also a decrease in the overall energy generation efficiency. In the world market, fuel cost an additional \$87 million, and this became a serious limiting factor in the country's economy. The country had trouble meeting even the population's need for cooking fuel. During 1995, the standard delivery of basic products remained depressed, although the per capita consumption of some products shows a certain improvement. Along these lines, it is necessary to point out that the agricultural market sales reached some 25 million pesos in 1995, the sales of industrial and manufactured articles reached

more than 300 million, and the collection of foreign exchange reached \$530 million.

On the other hand, [words indistinct] the state sector rose from 186 pesos a month in 1994 to 193 in 1995, thus marking an increase of [words indistinct]. Also, workers linked to the [words indistinct] rose from 115,400 in 1994 to 634,600 in 1995, which represents 18 percent of state and co-op workers. [coughs] Pardon.

In general, this year's economic growth is not yet reflected in the final consumption. This increase can be mostly seen in mid-range production levels and sectors that pay in foreign currency to tourism and the domestic market, which are mainly responsible for the increases.

On the other hand, this growth took place under very complex foreign financial conditions starting with the unearned income due to the drop of sugar production, the increase in prices for vital imports such as fuel and food, and other factors. This forced us to take short-term loans, with a high financial cost, which generated very strong tensions in the country, especially during the second half of the year.

Notwithstanding these difficulties, the overall results and the obvious demonstration that our country had been capable of resisting the poundings of the crisis, set down the basis for drafting the 1996 plan under better conditions. We present the 1996 plan in its general terms before this assembly, after five years of not having the essential conditions for it.

In order to draft this plan, the government prepared guidelines that served the compatibility process that has been under way since September with all the country's organizations and territories. Following the guidelines of our commander in chief, our comrades in the party leadership and government, the plan [words indistinct] and difficult and could not [words indistinct]. We would be doing a disservice to our fatherland if we did not demand from everyone the utmost effort, more intense work, and the most absolute resolve to the task of making our economy forge ahead.

We are all obliged to become more efficient, and one of the first measures to do this is to work without rest, but with much discipline and sense of responsibility. In order to reach this goal we need to plan with the proper flexibility the optimum use of [words indistinct] and respect what we agree to do. We cannot [words indistinct] decisions cannot be improvised [words indistinct] be used as much as possible to satisfy their needs in an organized manner and without setbacks.

The plan we present today embodies this philosophy; it is not guesswork. It is the concentrated expression of the effort of many comrades, leaders, and specialists in

the preparation and forecasting of the most rational use of the measures available to us to best satisfy our needs.

Taking as a starting point what has already been accomplished in 1995, the Cuban economy intends growing approximately 5 percent in its GDP for 1996. This rate, although twice the 1995 rate, does not represent a structural change in the sectors that grow, which will allow a significant increase in consumption, even though some improvements will take place.

Investments will increase approximately 27 percent, with a special emphasis on tourist work to compensate for this year's accumulated delay. The nickel industry will also receive important investments, as well as the fishing industry and electric generating plants and networks, among others. Likewise, the goal is to build approximately 50,000 houses, 70 percent of which will be of low cost. This figure represents 17,000 more homes than this year and an investment volume, including ancillary works, of 493 million pesos.

In order to attain these goals, significant increases will need to be reached in builders' organization, productivity, and efficiency. Work productivity will increase about 5 percent in 1996, while the average salary will increase 2 percent, thus reestablishing the proper correlation between both indicators.

Under the current circumstances it is worthwhile stressing that there will be no generalized salary increase, despite the fact that through incentive systems linked to results, it is expected that more than 1.1 million workers will increase their income, which represent 30 percent of state and co-op workers in 1996.

We need to reiterate that only by working more and with more efficient results can workers find the proper way to increase their income, consistent with fiscal clean-up policies, which we have been successfully implementing. Regarding this last topic, the fiscal deficit is expected to drop 25 percent compared to 1995. This will be made possible by reducing loss subsidies to enterprises through reductions in production costs. Production levels must increase more and more, with less cost per product or service rendered.

At the same time the tax system must be fully implemented. On this point we need to say that during 1996 we need to apply with force the personal income tax principle that the greater the income the more the taxes, especially to those who are not state workers and today earn high levels of income without contributing proportionally to society and take advantage of the imbalance between supply and demand, which we still suffer. Stern discipline is essential for this.

We hope that in the coming year the cash in the hands of the people will continue at a level similar to that achieved in 1995, which was somewhat lower than the level achieved in 1994. For this we will be taking into account the levels of cash on hand that already exist; an appropriate tax policy, as we have already mentioned; a larger state offer of agricultural and industrial products on the market; and measures aimed at strengthening the peso vis-a-vis the foreign exchange that is circulating in the country.

Among the plans for 1996 we can mention an increase in sugar production, which we expect will reach approximately 4.5 million metric tons, a little more than a 35-percent increase in relation to the previous harvest. We have to take all possible steps and arrange for the financing needed if we want to achieve [words indistinct] goals set for 1996. In this way we will have to depend only [words indistinct] the right weather conditions to be able to achieve the goals that were set.

We are planning a significant growth in tuber and in vegetable production, and we already have the financing needed to begin an accelerated recovery of rice production. In this sense we are adopting measures that will allow us to face the increase expected in the prices of imported foods. As a matter of fact, the prices forecast for 1996 will represent an outlay of more than \$83 million compared to the average prices in effect this year.

It is enough to mention that rice, which was quoted at approximately \$302 per metric ton in 1995 will cost an average of \$360 next year. Powdered milk will go from \$2,164 to \$2,400 per metric ton. Wheat will go from \$194 to \$236. Moderate growth is also expected in the production of eggs and in the gross amount of fishing products caught, which is expected to reach approximately 130,000 metric tons.

In keeping with the financing it has received, a larger recovery is needed in the tobacco sector, where both production and yield have to be augmented. In particular we have to expand production to allow us to increase the export of rolled tobacco to the levels required by the country and in accordance with the resources assigned to this sector.

The following sectors will have significant increases: cement, 24 percent; steel: more than 50 percent; and nickel: more than 25 percent. Likewise, plans for 1996 include a 50-percent increase in the presence of Cuban products on the shelves of the foreign exchange recovery stores and in establishments for tourists, which in turn are expected to increase their net contributions in freely convertible currency to the country.

In the energy sector, the following is expected: A slight increase in the extraction of national crude; a recovery in refining capacity; and the attainment of an availability rate of close to 65 percent in electricity. Also next year we hope to halt the deterioration of the bus passenger transportation system and to improve hygiene and sanitation. An increase of 36 percent in the allocation of foreign exchange has been earmarked for this purpose.

In the realm of foreign trade, the factors that caused uncertainty this year will continue into the next, and a possible deterioration in the balance of trade is expected. Exports are expected to increase by more than 20 percent, and imports by around 15 percent. Imports are expected to increase because of increases in the price of foodstuffs, as we have already explained, and in the price of fuel. Additionally, materials imported for public health, education, and electricity purposes are expected to increase, and provisions had to be made to cover increases in planned investments.

Net contributions from tourism should increase around 50 percent in 1996. Financial resources for executing the 1996 plan have a greater level of coverage than what was attained this year. Nevertheless, high financial costs for short-term credits will remain, thus making it essential that the National Bank of Cuba control its use and that specific measures be drafted to increase the cash flow of foreign currency to cover possible deficits.

We are convinced of the enormous foreign currency potential that can be obtained through savings and its efficient use by all sectors of the economy that operate with foreign currency. We are bent on demanding this.

Comrade deputies and guests: We revolutionaries have a duty to be optimistic. If we did not have the confidence that comes from the deepest convictions of what the revolution, socialism, and Fidel meant, we would not have been able to resist when only five years ago everyone forecast disappearance.

We are at the start of a recovery phase today because we knew how to resist. We will not, however, rest on these laurels, which were so fairly won by our people. Recovery will only become a reality if we manage a sugar harvest as planned, if tourism increases its enormous potential for income, if builders are more efficient.

We still have to face strong financial tensions that can affect our development rhythm. We still need to postpone dreams and put off substantial improvements in our much-hoped-for consumption. However, much will depend on us, on whether these difficulties are

overcome in lesser or greater time. For this we need to work harder, with discipline, and with order.

We are sure we will successfully develop what we are capable of setting out to do, because only socialism gives us the opportunity to design the future, like our apostle said: With everyone and for the good of everyone.

We have earned for ourselves this right to victory because we remained firm, because we had faith in the moral values that inspire us today. This plan is the expression of these values; to fulfill what we agree here is to comply with the fatherland, with the revolution, and with Fidel. Many thanks. [applause]

Finance Minister Addresses Session

PA2712235895 Havana Tele Rebelde Network
in Spanish 0050 GMT 27 Dec 95

[Speech by Finance and Prices Minister Manuel Millares Rodriguez at the first meeting of the sixth regular session of the ANPP at the Conventions Palace in Havana on 26 December — recorded]

[FBIS Translated Text] Commander in Chief Fidel Castro Ruz; companero Ricardo Alarcon De Quesada, president of the National Assembly of the People's Government [ANPP]; companero deputies:

The draft national budget for 1996 that is being submitted to this assembly for approval is the fruit of the work of a large number of leaders and experts in all of the country's administrative offices. It is based on the proposals made by budgeted enterprises and units; the municipal and provincial administration councils; the organizations that come under the state's central administration; and other entities that have to do with the budget. All of these proposals were made within the framework of the guidelines issued in this regard by the Secretariat of the Executive Committee of the Council of Ministers on 15 July 1995.

Most of the provincial and municipal assemblies of the people's government have reviewed the draft of their respective budgets, and the remaining assemblies will do the same in the next few days. On this occasion we have been able to achieve a high degree of agreement regarding the economic plan for the coming year. I must also mention that this budget has been the subject of a detailed debate in the Assembly's Committee for Economic Affairs.

Before commenting on the major goals of and figures in the 1996 budget, we would like to provide an estimate of how much has been spent of what was approved for 1995. The favorable results of this year will serve as a basis to set higher goals for ourselves next year. With

the 1995 budget law, which you approved late last year, a maximum limit of 1 billion pesos was set for the fiscal deficit. According to the results through November, it is estimated that the budget will close with a deficit in the range of 775 million pesos, that is to say, 22.5 percent less than what had been expected.

The most significant fact, however, is that this deficit is 85 percent lower than the deficit that we had a mere two years ago! As you will recall, we wound up the 1993 budget with a deficit of 5.05 billion pesos, which represented 33.5 percent of the GDP at 1993 prices. In 1994, we managed to reduce this deficit by 72 percent, and wound up the 1994 budget with an imbalance of 1.4214 billion. We expect to close this year with the deficit already mentioned, namely 775 million pesos — approximately 3.6 percent of the GDP.

As companero Jose Luis Rodriguez [Economy and Planning Minister and Vice President of the Council of Ministers] just mentioned, a decisive factor in this result has been the continued reduction of the subsidy to the state enterprises for losses sustained. It is estimated that what will be spent this year for this purpose will be 350 million less than what was planned, and that we will wind up 48 percent lower than last year even though last year we had already achieved a considerable reduction compared to 1993.

Undoubtedly, several factors had an influence on this reduction: the growth achieved in many sectors of the economy; the more restrictive policy implemented on budget subsidies to cover losses; greater attention by the directors of the state enterprises and their labor unions in implementing actions to reduce costs based on the programs to reduce profit losses that were ordered implemented; and to higher standards set by the organizations and administration councils of the people's power organizations. All of this has resulted in a more efficient use of our economic resources.

At the same time, adequate discipline has been maintained while executing current budgeted expenses, such as when calculating financial resources for education, public health, social security and assistance, and other social services, as well as defense expenditures, interior order, and the administration of state and justice.

Ninety-nine percent of the overall allocated figure will be implemented according to current estimates or the information up to 30 November. The 1994 decision of granting more power to the councils of territory administration to handle their budget within the total expenses approved and with few indicating guidelines, has had a very positive effect. This has brought decisionmaking closer to where the money is spent and where the budget is correctly executed, thus

simplifying administrative procedures, without losing sight of the basic goals. This has encouraged greater preventive control.

The amounts not used out of the total budget goals, basically because of a lesser subsidy to losses, has allowed to compensate a slight shortfall in income. It is estimated that by the end of year, 11.47 billion pesos will have been collected, some 200 million pesos less, of what was outlined in the approved budget, for a 98.2 percent compliance.

There have been more cigar sales as demand decreased [sentence as heard]. Adverse effects in the planned supply of beer, eggs, and other products have triggered a 300 million peso drop in the expected circulation tax revenues, thus determining the aforementioned noncompliance with the total amount of revenues. In short, the results achieved in the execution of the budget of the year about to end are pleasing; they are condensed in a 225 million peso reduction in the deficit estimated by the law, a deficit in which we can see certain trends requiring special attention in 1996 to guarantee the budgeted revenue and the compliance with the objective of achieving a better balance vis-a-vis spending.

For 1996, the budget allocates 12.222 billion pesos for total spending, which is an amount slightly lower, almost equal, to this year's estimate and which is 3.6 percent lower than what was approved in the 1995 budget. Of this amount, 7.057 billion pesos, 58 percent of the total budgeted spending, will be allocated to social services and other budgeted activities; 2.67 billion pesos, to finance business activities; and 300 million pesos, to continue to support the approved economic aid program for the basic cooperative production units. Some 1.75 billion pesos are allocated to the investments the budget will finance, including 250 million pesos kept in reserve, awaiting the distribution by organizations. Finally, the budget also contemplates a reserve of 445 million pesos to face contingencies or decisions that the Council of State or the Council of Ministers could make for the country's sake throughout the year without having to alter the maximum limits of spending and deficit the ANPP will approve. This reserve equals 3.6 percent of the total estimated spending.

The financial resources allocated to current spending of the budgeted activities — 7.057 billion pesos, as we already mentioned — represent a 2.6 percent increase as compared to the amount approved as part of this year's budget. This growth is concentrated in the activities linked to larger social significance, education, health, security, and social assistance. The amount of resources allocated to the upkeep of houses, roads, and community services has also increased.

As a whole, more than two thirds of current budget spending are earmarked for the aforementioned activities. Exactly 69 percent of budget spending is earmarked for the aforementioned four sectors.

For 1996, the policy of reducing budget resources assigned to the Armed Forces will be maintained, without affecting the country's defensive capability. In addition, less state resources will be earmarked for the Interior Ministry in the budget submitted for 1996. Additionally, the budget allocations for the administration of the state will be reduced, in keeping with the decision to handle resources in a more rational manner.

Current spending on business activity will be reduced by 525 million compared with the allotment for this year. This is possible thanks to the sustained reduction of subsidies to cover losses of state-owned companies. The amount earmarked for that subsidy in addition to the economic subsidy to the UBPC [Basic Cooperative Production Units], which total 1.9 billion pesos, will be 25 percent less than the allotment for 1995, namely 650 million less. And this amount is 10 percent below the estimated amount for this year.

An estimated 11.642 billion pesos will be earmarked to face the allocations for current spending and investments. This level is similar to that established in this year's budget, and higher by just 1.5 percent to the income estimated for this year. The increase in income is based on a greater contribution from companies and an increase in tax collections and contributions. This should be achieved through greater discipline and control over taxpayers and the implementation of new taxes promulgated this year and others that will be introduced next year, in accordance with the provision of Law 73 of the Tax System.

Taking into account the trend toward lower cigarette and beverages sales observed in recent months, it is appropriate to consider a 4.5 percent reduction in sales tax revenues, which at 5.250 billion pesos continues to be the main source of income for the state. This represents 45 percent of the total income, where cigarettes and beverages bear an important weight. Therefore, it is necessary to ensure planned levels of production and sale for the products subject to this tax. The same holds true in the case of the service tax where we predicted a 4.9 percent reduction resulting from the drop in sales of state-owned restaurants, which in turn resulted from the competition of self-employed workers and supply limitations.

However, significant progress in the organization of the activity and an important increase in the quality of service and the efficiency of management are required to meet the amount budgeted for that sector. The balance

of revenues and spending establishes a 580-million peso deficit, which we propose be approved as maximum figure for next year. This deficit is less than 3 percent of the GDP estimated for 1996. And it is important that we pause at this indicator. I am referring to the relationship between the budget deficit and the GDP. International credit organizations, specifically the World Bank and the IMF, demand as a requisite for the granting of credits that this relationship be reduced.

It has often been said that the permissible budget deficit should not exceed 5 percent of the GDP. This does not represent a mere figure. This implies that the immediate actions governments may adopt until they are able to increase production, which is seldom accomplished, is to cutback public spending. In more direct words, this involves closing of schools, hospitals, dismissal of state workers, and nonpayment and delays in pension and retirement checks. The very international news agencies reflect in their reporting the social effects and commotions caused by said measures.

In Cuba, thanks to the application of measures, which were amply discussed with the people before they were promulgated, we have adjusted the deficit, which was 33.5 percent of GDP in 1993, 7.4 percent in 1994, and an estimated 3.6 percent this year, and as I said, we want to it to be under 3 percent in 1996 while maintaining the basic services.

Deputies: In order to achieve the goals of the state budget for 1996 that is being presented to your consideration and to maintain ourselves within the ceiling deficit that is proposed, it is indispensable to fulfill the two basic premises that support them: First, increase the efficiency of state enterprises, and second, guarantee the timely collection of taxes.

The enterprises must increase their contributions to the budget through higher revenues and reduce subsidies for losses by no less than 750 million pesos with regard to our 1995 budget goal and 400 million pesos with regard to the estimated results for this year.

Special attention must be paid to the enterprises of the agricultural sector and the sugar industry, because of their weight on the budget, and also to the UPBC. This goal is perfectly achievable and we base this conclusion not only on the positive trend of the past two years, but also on the recovery of the economy that has already been apparent in 1995.

But this is not automatically achievable; it requires a serious organizational effort, responsibility, and creativity, but above all, a lot of work, discipline, and dedication. The increase in efficiency, and subsequent contribution to the state, cannot be based on simplistic slogans

or general analyses. It must be based on specific actions that are carefully studied and timely programmed, and applied at each enterprise, factory, workshop, shift, brigade, and work center. Each worker must be aware of his role and his responsibility in order to achieve the planned efficiency increase.

We must close all gaps in which we are losing efficiency and losing resources. We must ensure that cost analysis and cost reduction become the daily and inevitable tasks of enterprise leaders at all levels, and ensure that they equate failure to achieve this with something as inconceivable as not being able to breath. Due to the open nature of our economy [seven-second break in reception] imports.

We are obligated to be competitive. Our economic development depends on it. The state organizations should support and demand that the enterprises use the indispensable tools to ensure efficient operation and achieve competitiveness. Business plans and plans to organize production and guarantee jobs, among others, must be applied despite the difficult conditions facing our economy. It is unacceptable for an enterprise to lack a cost reduction program, a revenue and expenditures budget, and an updated cash flow plan. Of course, none of this can exist if an exact and timely accounting is nonexistent.

In the 1996 budget bill we reaffirmed the guidelines to achieve these goals, and we specifically established that the granting of loss subsidies will be conditioned to an analysis of the liquidity situation of the enterprise, the discipline shown in making payments and collecting funds, and its compliance with its loss reduction plan.

To fulfill the second budget premise regarding the timely collection of taxes, it is vital to complete as soon as possible the process of creating and consolidating territorial tax administration offices. The evaluation and training of its personnel, and particularly the fiscal auditors and inspectors, the installation of computer systems for the registration of taxpayers, and the daily control of their payments to meet fiscal obligations related to each tax.

This task, which is the most complex one facing the Finance and Prices Ministry, has received invaluable support from the presidents of provincial and municipal assemblies of the people's government and of the administration councils. We are certain that this support will be further consolidated to ensure that we start the year with a complete network of tax offices in all municipalities. We also demand this support on the control and demands that will be made on these office by the governments of provinces and municipalities, people's councils, and also by you, companero deputies.

As a part of this work, it is extremely important to educate the population by explaining the role of the tax system in the redistribution of income.

As an example of the importance of increasing the information available for the population on the importance of taxes as a means of distributing income, I believe it is enough to say that in a radio show recently, many citizens expressed their concerns about the charging of taxes at the farmers markets. They said this tax was unduly added to the costs of the services provided by the market, such as electricity and rent. The people said this tax adversely affected the population because, as a result of the tax, prices increased. This is not in keeping with reality. Prices in these markets are not set like they are in the state, using the product's cost — plus a reasonable margin of profit — and even below cost as in many basic staples, the price of which are below cost. The prices of many products have continuously increased, as companero Jose Luis explained.

The state subsidizes these basic commodities at a cost of 360 million pesos per year. In this market, in which prices are set by supply and demand forces, the price depends on the top cost buyers are willing to pay. These people make high profits in which taxes are a small percentage. If taxes were not charged, prices would be equally high if the supply and demand forces allow it. In these cases, only an increase in production and a greater participation of the state as well as the continuous revaluation of the peso can decrease the prices charged there.

It is important to insist that state expenditures to pay for education, health, cultural events, sports events, pensions and retirements, social security, public order, the justice system, the defense of our sovereignty and territory depend on these taxes. A tax system with a spirit of justice and solidarity, of which our revolution is an example, will impose higher taxes on those earning more, on those who receive the most, for the sake of the unprotected, the poorest members of our great family. The payment of taxes is a social duty where no excuses can be allowed, as our dear commander in chief said when closing the forum. It is a sacred duty of all citizens, especially of those receiving the highest income.

Companeros, the 1996 budget, which we hope will be approved by you, meets the criteria received from the Secretariat of the Executive Committee of the Council of Ministers. We believe it is in keeping with the essential proposals and objectives, which the current conditions of the country's economy can allow and which have been drafted by this assembly and by the Council of State.

Those of us who have participated in the drafting of this budget, from the rank and file to the ministries, have kept in mind the guidelines of the commander in chief and the party, which are to resist and make progress amid the difficult economic conditions and the aggressions suffered by Cuba, by maintaining the basic achievements of these 37 glorious years.

It becomes customary and common to receive news from countries with much more natural resources than Cuba, with facilities to obtain credit and assistance for development, without being subjected to blockades and aggressions, informing about the increasing number of malnourished children and elderly citizens without schools or medical assistance, teachers and government employees who do not collect their paychecks for months, retirees who do not receive their pensions, governments whose authority and respectability are corroded by corruption. People, however, use the Cuban example, which under the most difficult economic conditions, has not left a child without a school, a citizen without medical assistance no matter how far he lives, a worker or retiree without a salary or pension each month, no one has been left unprotected. In Cuba, solidarity, citizens rights, and the fatherland are concrete, tangible, visible facts and not mere demagogic statements used to cover up interests that have nothing to do with these concepts.

In the report you now have in your hands, we outline the principal actions and activities to which the financial resources of the budget have been allocated. The mere mentioning of these activities is enough to understand the huge efforts that are made with available resources, which are not abundant, for maintaining the services that benefit all sectors of the population. The budget you will approve is the simple financial expression of the decision of resistance and victory of the Cuban people and their strong resolve, with the leadership of their commander in chief, to guarantee the sovereignty and defense of the fatherland and the basic achievements the revolution has given us. Thank you very much. [applause]

Foreign Minister Grants 'Exclusive' Interview

PA2312230595 Havana PRENSA LATINA in Spanish
1936 GMT 22 Dec 95

[Report on "exclusive" interview with Foreign Minister Roberto Robaina by Javier Rodriguez in Havana on 22 December; all quotation marks as received]

[FBIS Translated Text] Havana, 22 Dec (PL) — Foreign Minister Roberto Robaina stated today that Cuba is moving toward more revolution and more socialism, within the framework of an indigenous model which

is not for sale, not exportable, and not to be changed or discarded.

In an exclusive interview granted to PRENSA LATINA in this capital city, Robaina spoke about the likelihood of Cuba adopting so-called market socialism or returning to capitalism. He also analyzed the foundations of Cuba's foreign policy, eventual alliances, and the outlook of relations with the United States.

In his first answer, he rejected the pretensions of those who insist on presenting the Caribbean nation as if it were in search of a transition toward neo-liberal or capitalist formulas, arbitrarily passing judgment on the economic reforms carried out.

According to Robaina, there is a somewhat morbid way of thinking in all of that, and a degree of eagerness on the part of some disenchanted political undertakers who will definitely have to seek a new profession. Those who aspire to see us involved in something we do not want or have not announced will just have to forget about that idea.

The minister stressed that, "the entombment of socialism throughout the world is over, history is beginning to be different, to repeat itself, and maybe it is time to say that an old ghost is running around the world: That of true socialist ideals that could not be buried."

After recalling that the election processes in Eastern Europe and the territory once occupied by the former Soviet Union are beginning to show some very interesting results, Robaina stated that countries such as China and Vietnam never abandoned their socialist models and are moving forward economically as well as socially.

Neo-liberalism, which was sold to us as a universal recipe is undergoing a crisis of ungovernability from Latin America all the way to Europe, and the world is being shaken up by society's move to the right, government corruption, social violence, low voter turnout, political alienation, and economic crisis, he pointed out.

Robaina proposed that, for Cubans, the prototype of an ideal society is one where the concept of liberty and democracy are closely linked to more social justice and equality, to dignity, independence, and power to the people, and one that has a government that is born from consensus, dialogue, and links between people and leaders.

"The people are with the revolution, they want it, they support it, they perfect it, they transform it daily and make it much more flexible and open, and at the same time defend it," Robaina stipulated.

In response to a question about foreign allegations that point to a decline in revolutionary spirit and the lack of

international alliances for Cuba to sustain this type of policy, the foreign minister explained:

"Whoever claims that enthusiasm has disappeared in this country must have lost his way in other latitudes. With respect to alliances, these, in general, are related to circumstances, and we will always maintain these and these are what we live for, those of all Cuban patriots."

Immediately after, Robaina said that in order to maintain its foreign policy on the offensive, Cuba counts, first of all, on the people in control of political power and an economic recovery that is building up to take off as of this year.

After pointing out that the legitimacy and credibility of the message Cuba sends abroad rests on those foundations, he described the current economic reforms as complex, extensive, in-depth, a promoter of contradictions and not contrived.

"We have preserved the social accomplishments of our socialism, our economy grew, slowly, still insufficiently, but we did grow and maintain the governing role of the state at the helm of the economy. In reference to those who attribute this success to foreign investments or to an alleged search for new subsidies with China and Vietnam, Robaina stressed:

"There are two lessons this country learned very well: That investments are only part of the needs and that, never again, will all the eggs in the same basket belong to one single hen."

In expanding on these explanations, the minister contends that the genuine options to overcome the current situation lie in ever more meticulous and efficient work, and at the same time, diversifying relations overseas to the maximum, even in the economic field.

In this manner we will protect ourselves from situations such as the ones that took place during the 1960's or this one in the 1990's, and at the same time consolidate Cuba's economic independence even more, which is the bedrock of its real independence, he added.

Robaina stressed that the country's biggest current challenges are to successfully implement the changes it has set out to do, learning from all but copying from no one, accepting the inclusion of market elements in its economy but without surrendering its laws and ethics.

He called on citizens to give more value to resources and work, to optimize justice in the distribution of its fruits, and to further efficiency and solidarity "without falling in love with the superficiality and frivolity prevalent in other cultures."

If we manage to turn all this into new ethics, we will somehow establish a much more dynamic, efficient, revolutionary, and participative concept of socialism in Cuba; one that will conform more to a rational and self-sustainable model of development that is more concerned with the essence and not with appearances, he pointed out.

The last part of the interview served to air his opinions on the future of Cuba-United States relations and the possibility of increasing bilateral contacts.

Robaina emphasized that if Cuba has been able to make and maintain a very comprehensive, political, economic, and social revolution despite the U.S. blockade and hostility, the latter country will be unable to stop the country from advancing even if it increases its hostility.

"To think that our salvation depends on a U.S. blessing is to think with a colonial mentality and, at least in this country, most Cubans have already surpassed that trauma," he added.

The minister accepted that things would be different if there were more tolerance from Washington on their differences, more respect for Cuba's sovereignty and independence, and if it did not interfere to promote changes in its government and economy.

We want a normal, respectful, neighborly coexistence, and we can join efforts in many things as was seen with the migratory issue and could be seen in problems related to drug trafficking, air and sea customs security, and broad commercial, scientific, and cultural exchange, he expressed.

For the foreign minister, the dynamics of those relations are greatly influenced by the upcoming U.S. elections, the Torricelli law or the Helms-Burton bill, "which, he said, seems grotesque to me."

The forecasts will depend on whether the sound, respectful, and good neighborly thought will manage to detach itself from the pressures of the "Cuban-American Mafia,

which has trafficked with counterrevolutionary ventures at the cost of thousands of emigres and local taxpayers."

At the end of the interview, the minister defined the issue:

"We are willing to talk about everything with equality and mutual respect. The day the United States has the political will and courage to take that step, Cuba will come out to meet it without there being winners or losers."

Castro Evaluates Program To Bolster Rice Production

*PA2812032895 Havana Radio Rebelde Network
in Spanish 1255 GMT 23 Dec 95*

[From the "Doing Radio" program]

[FBIS Translated Text] On 22 December, Commander in Chief Fidel Castro evaluated the program to bolster rice production during a meeting with rice complex directors, ministers, agricultural delegates, and party cadres.

Carlos Lage, secretary of the executive committee of the Council of Ministers, explained the program's financing aspects. Participants also discussed 1995 rice production, which is far below the levels reached before the special period.

Rice varieties, the state of agricultural equipment, and the progress of the construction of irrigation systems were among the topics evaluated during the meeting. Castro highlighted aspects particular to each rice region, and demanded greater technical discipline, and strict control of resources. In addition, he said that he hoped that 1996 would result in a rice production increase, and would set guidelines for a higher increase in 1997. Castro expressed his trust in rice growers' technical expertise to achieve these goals.

Government To Expedite Measures To Save Banks
PA2712205895 Mexico City EL FINANCIERO
in Spanish 15 Dec 95 p 4

[Report by Alicia Salgado and Marco A. Duran]

[FBIS Translated Text] The federal government has accelerated measures to rescue the banking system from its vulnerable and fragile credit situation and to guarantee the middlemen's strength in financing the economic recovery in 1996.

Financial authorities will "guarantee the quality of 89 percent of the national banking system" by purchasing credit portfolios in December for approximately \$4 billion from Banamex [National Bank of Mexico], Bancomer [Bank of Commerce], Inverlat, Mexicano, Banorte-Bancan [Central Bank] and by improving the Workers Bank financial situation.

Since the beginning of the year, the government has purchased bank credit assets for more than \$7.5 billion (55 billion new pesos), which represent four times the surplus achieved in the national public finances for 1995.

Out of the \$4 billion expected to be definite in December, \$2 billion correspond to Banamex, approximately \$1 billion to Bancomer, \$400 million to improve Inverlat's financial operations, \$320 million to the Mexicano's capitalization process, \$208 million to Banorte-Bancan, and \$195 million to the Workers Bank.

Details about the capitalization program of Mexicano and Inverlat's overall financial improvement process by Fobaproa [Savings Protection Banking Fund] are unknown.

Banamex To Increase Capitalization Index by 15 Percent

The most important transaction was carried out yesterday. Banamex signed an agreement with the National Banking and Securities Commission (CNBV) to increase its capital by 8,540 billion new pesos (\$1 billion), 50 percent of which was allocated this year and the rest will be received in 1996. This will permit the sale of 15 billion pesos (\$2 billion) to the government. Banamex has agreed to take 25 percent of the collection risk for a 10-year period and handle the portfolio.

This year, a \$550 million allocation was possible thanks to investments in Avantel, in association with Aegon Insurance Company and the affiliation of Banacci Operators with Banamex, as well as other resources of the group and bank. The rest of the capital will be obtained from the placement of shares and/or debt with a maturity date from five to seven years in 1996. This will

depend on the market conditions and development of the share's price. This joint emission will mean another \$550 million with a maximum share reduction of 25 percent.

These resources will allow Banamex to increase its capitalization index from 10.4 percent in September to 12.5 percent by the end of this year and by 15 percent by the end of 1996. Furthermore, the sale of credit assets to the government allows the ratio of overdue portfolios to net portfolios to go from 6.2 percent in September to 2.5 percent in December. Meanwhile, the total portfolio went from 12.7 percent in September to 8.5 percent in December, which means approximately a 5-percent reduction.

Bancomer To Sell Approximately \$1 Billion

Regarding Bancomer, following the approval by the special shareholders meeting held on 14 December to issue \$300 million worth of "nonconvertible" subordinated shares maturing on June 2004 — along with the 1 billion new pesos worth of convertible liabilities issued in March 1995 — the September capital injection stemming from the sale of the Grassmont Bank for \$310.6 million, and the investments in the telecommunications affiliate, it is estimated that the amount of portfolio the government will purchase from the second largest banking institution totals approximately \$1 billion (some analysts estimate it at \$700 million).

From the issuance of bonds, only the sale of a credit portfolio for \$600 million is guaranteed.

As for the issuance of the nonconvertible subordinated liabilities the Assembly approved yesterday, it will be done in three phases: the first phase for 100 million this December at a LIBOR [London Inter-Bank Operating Rate] rate of plus four points, which will be quarterly revised and which will be offered first to the institution's current clients. The rest of the sale will take place in the first months of 1996 in terms of market conditions.

The capitalization process will be undertaken in late 1995 and will increase Bancomer's capitalization index from 10.21 percent in September to approximately 14 percent in 1996.

Banorte Goes NASDAQ in 1996

At the Northern Mercantile Multibank [Multibanco Mercantil del Norte] (Banorte), the foretold capitalization process — comprising the placement of 550 million [currency not specified] worth of Series A and B shares among the current shareholders and/or the market by the end of the registration period, 28 December, and the issuance of 500 million pesos worth of nonconvertible liabilities — will allow the institution to raise its

current capitalization index of 11.41 percent to approximately 18 percent.

Thanks to this operation, Banorte will be able to sell approximately 600 million pesos (\$208 million) worth of credit portfolio to the government and to complete its merger with Bancen, the evaluation of which by Fobaproa amounts to approximately 500 million pesos).

In this regard, Consuelo Blanco, a financial analyst from the Vector Exchange House, said the capitalization of Banorte will have an important effect in attracting foreign investors interested in buying its stocks. She explained that the stock's current level of liquidity in the market is 30 percent and, with the \$1.05 billion peso capitalization, it will increase to 50 percent, thus becoming a very attractive stock, especially the B series stocks, which are the ones foreigners can purchase.

She said to this we must add the intentions of the Banorte Financial Group to take the necessary steps for its registration at the U.S. Securities Exchange Commission (SEC), which they hope to obtain during the second half of 1996, for their subsequent listing in NASDAQ. This will allow the group to substantially increase the stock exchange profitability of the stock, which during the crisis remained as the "best capitalized" stock.

In addition, she said that following Banorte's capitalization, the Bancen merger, and the sale of the institution's portfolio to the government, the relation of overdue portfolio to total portfolio will be 8 percent and the relation of overdue portfolio to the preventive reserves will be 75 percent, one of the highest in the system.

We must note that Banorte has shown an interest in purchasing Cremi Bank's assets and a call for a bid is expected for Friday, 15 December, in order to hold the bid on February or March.

Moreover, Bital placed \$140 million yesterday in convertible subordinated bonds [obligaciones subordinadas

convertibles] to complete its capitalization program for 600 million pesos and \$200 million, agreed on in September, which allowed it to sell a net portfolio of 4.38 billion pesos to the government.

The operation will bring Bital's capitalization index to 13 percent by the end of December, which will increase once it completes the final leg of its capital increase negotiations for 330 million pesos during the first quarter of 1996.

The bonds placed yesterday will have a December 2002 maturity date. These investments carry the bond conversion option during the fourth year; they are protected against exchange rate fluctuations and offer three-month LIBOR yields plus six points during the first two years, LIBOR yields plus four points or the Mexican Government Eurobond average yield plus one point during the third and fourth years. For the fifth, sixth, and seventh years, it offers the LIBOR rate plus three points or the Mexican Government Eurobond average yield plus one point.

Correction to Attorney General's Office on Extradition

PA2612173195

The following correction pertains to the item headlined "Attorney General's Office on U.S. Extradition Refusal," published in the 26 December Latin America DAILY REPORT, pages 21-22:

Page 21, column two, paragraph two, sentence three, make read: ...for committing the crimes of unduly exercising a public post, torture, against the administration of justice, embezzlement, illegal enrichment... (rewording, removing vernacular)

Argentina

Economy Minister 'Satisfied' With Convertibility Plan

PY2812011395 Buenos Aires TELAM in Spanish
1851 GMT 26 Dec 95

[FBIS Translated Text] While acknowledging the economic difficulties of the year that is about to end, Economy Minister Domingo Cavallo felt satisfied because the convertibility plan was able to withstand impacts, according to what a Cordoba Province newspaper records.

Cavallo told LA VOZ DE SAN JUSTO, a daily from the Cordoba Province town of San Francisco, that "economically speaking, it was an extremely hard year; still, it was a very positive year because the Argentine economic reform, and particularly, the stabilization plan, were put to the test and we overcame that difficulty."

In his analysis, the economy minister explained that "towards the end of the year, interest rates implicit in public bonds went down to levels that are even lower than those prevalent at the end of 1994."

Moreover, Cavallo considered that "the banking system has recovered the deposits it had lost and one is already beginning to notice an economic upturn on the domestic market, which is only incipient, but will become more buoyant in 1996."

To that effect, the minister mentioned the tequila effect and asserted that its influence on the Argentine economy "had already waned."

Cavallo mentioned two phenomena which, in his view, were of paramount importance for the economy in 1995, namely, "a tremendous growth of our exports and domestic saving, something which we were striving after."

The head of the Economy Ministry, who travelled to his home town to spend Christmas with his family, acknowledged that the unemployment rate—which stands at 16.4 percent—"is worrisome."

Nevertheless, he stated that "when one compares May with October rates, one sees that for the first time in more than a year, the number of the jobless decreased, although slightly, in October."

To that effect, Cavallo voiced optimism for 1996 in that "there will be a significant growth in the construction industry, notably in the area of housing, which is labor intensive. Furthermore, we expect that the number of people having a job will increase at a rate we deem satisfactory."

Commenting on his relationship with the other members of the executive branch, Cavallo said that "in a presi-

dential system of government, it is the president who allots power spaces within the cabinet and his decision is final."

The minister nonetheless conceded that "sometimes there are different points of view about some policies or about how to implement them," adding that "it is only natural that this should happen as it is a common occurrence the world over."

Concerning his possible bid for the Presidency in 1999, Cavallo said: "I have not yet given it a thought; at this moment, I would rather concentrate all my efforts in the Economy Ministry."

Besides, referring to Buenos Aires Province Governor Eduardo Duhalde and former Tucuman Province Governor Palito Ortega, who have already voiced their intention of running for the Presidency on the Justicialist ticket, Cavallo declared that "those who have already entered the presidential race have come to the conclusion that it is still too early to do so."

Judge To Try 12 Arrested for Raids on Military Garrison

PY2812010895 Buenos Aires NOTICIAS
ARGENTINAS in Spanish 0143 GMT 24 Dec 95

[FBIS Translated Excerpt] Buenos Aires, 23 Dec (NA)—Federal Judge Juan Jose Galeano today decided to bring to trial 12 of the people that were arrested during the raids carried out at the Campo de Mayo military garrison. This comes within the framework of the investigation of the attack against the AMIA [Argentine-Jewish Mutual Association], although the decision has nothing to do with the case of the blowing up of the association.

Eight of the people will remain in prison because the judge has ordered their preventive arrest for "unlawful association and the acquisition of explosives and munitions." The other four have been released while their trials continue.

The decision also indicates that four civilians have also been released due to the lack of evidence.

Those who will remain in prison are: Sergeants Jorge Orlando Pacifico, Juan Carlos Coppe, and Ricardo Villarino; First Sergeants Miguel Angel Lovera, Raul Salomone, and Haroldo Oscar Perez; and civilians Ruben Omar Mansilla and Alberto Saldana.

Pacifico, Coppe, Villarino, and Lovera are accused of being the organizers of the unlawful association in addition to the accusation that they acquired explosives and munitions for weapons.

Salomone, Perez, and Mansilla are being accused of allegedly participating in the unlawful association that was headed by the above-mentioned and of acquiring weapons and munitions, while Saldana is accused of acquiring munitions.

First Sergeant Luis Gilberto Rodriguez, Luis Domingo Pelle (civilian), Corporal Carlos Manuel Britez, and Sergeant Luis Alberto Ferreyra will have to stand trial, but they were released on 22 December from the Central Police Department, where they had been under arrest.

Finally, Galeano has no grounds to bring civilians Guillermo Myari, Benito Shijo, Sara Catania, and Mariel Melgarejo to trial, and they were also released on 22 December. [passage omitted]

Bolivia

Senate Approves Promotions in Armed Forces

PY2812104895 Santa Cruz EL MUNDO in Spanish
19 Dec 95 p A21

[FBIS Translated Text] La Paz, 18 Dec (ANF)—The Senate today approved the promotion of division generals, members of the Air Force, and vice and rear admirals. During a secret session, the Senate approved the promotion of 28 members of the Armed Forces.

Paragraph 8 of Article 66 of the Constitution states that it is the Senate's attribution "in a secret session to accept or reject promotions in the Army, Air Force, and Navy proposed by the executive branch.

Four members of the Army are promoted to division generals, three members of the Air Force are promoted to division generals, and three members of the Navy are promoted to vice admiral. Ten members of the Army are promoted to brigadier generals, five members of the Air Force are promoted to brigadier generals, and three members of the Navy are promoted to rear admiral.

Division Generals

Army: Hernan Aguilera Bianchi, Armando Balcazar Botelho, Henry Rodriguez Rodriguez, and Gerardo Castro Echeverria.

Air Force: Carlos Bejar Molina, Jose David Molina Gonzales, and Raul Gantier Pacheco.

Vice Admirals

Navy: Luis Daza Montero, Alfredo Trigo Justiniano, and Mario Reyes Ortiz Mealla.

Brigadier Generals

Army: Jorge Rodriguez Roca, Daniel Alfonso Saavedra Franco, Oswaldo Bedregal Palomo, Luis Montero Znakys, Jhony Mackay Peralta, Jose Antonio Ortiz Du-

ran, Rafael Sainz Sivila, Nicolas Arancibia Borda, Edgar Sandoval Calzadilla, and Arturo Cordova Mendoza.

Air Force: Oscar Guilarte Lujan, Alvaro Valdivia Casanovas, Luis Jorge Justiniano Menacho, Augusto Wayar Fernandez, and Walter Barron Garnica.

Rear Admirals

Navy: Jorge Zabala Ossio, Aldo Eduardo Jimenez Flores, and Adolfo Guillen Tejada.

National Police Commander on Presence of MRTA Groups

PY2812005195 Cochabamba LOS TIEMPOS
in Spanish 16 Dec 95 p A6

[FBIS Translated Excerpt] La Paz, 15 Dec (LOS TIEMPOS)—State intelligence agencies on 15 December reported that, following the arrest of at least three people allegedly linked to the [Peruvian] terrorist group Tupac Amaru Revolutionary Movement (MRTA) in the cities of La Paz and Cochabamba, the Armed Forces and the National Police a few hours ago established a security cordon along the Bolivian-Peruvian border.

In La Paz, military and police sources linked to the intelligence departments, indicated: "Bolivia has declared a nationwide alert and has issued a serious warning to paramilitary groups that it will not permit subversive actions that violating domestic security."

After persistent denials, National Police General Commander Willy Arriaza was forced to admit the presence of MRTA armed groups in our country. Nevertheless, he explained that these groups are moving separately. Arriaza pointed out that our domestic security cannot be affected seriously.

The police commander asked the population to remain calm. He asked the government to take international security standards to prevent a Peruvian MRTA focus from spreading throughout Bolivia. [passage omitted]

General Willy Arriaza very carefully admitted the presence of people allegedly linked to subversive activities—allegedly involving the MRTA—in our country, a presence that has not been officially reported by government officials.

Arriaza said: "As mentioned by Minister of Government Carlos Sanchez Berzain, a few days ago we discovered some Peruvian members (probably linked to terrorist activities). Now we are investigating to determine if they actually are or are not linked to the MRTA."

Arriaza added: "I know the people are eager to become acquainted with the developments in our country, following the presence of Peruvian citizens allegedly

linked to the MRTA." He said: "I again ask the media to be patient. Nevertheless, I must categorically emphasize that there are no subversive actions, except for the presence of Peruvians in Bolivia and Uruguay, a presence that must be explained."

The police commander noted: "Peruvian, Bolivian, and Uruguayan intelligence reports have confirmed that some citizens are regularly escaping to the three countries." [passage omitted]

Subversive Groups Linked to Drug Trafficking Rings

PY2812010695 Cochabamba LOS TIEMPOS in Spanish 17 Dec 95 p A8

[FBIS Translated Text] La Paz, 16 Dec (LOS TIEMPOS)—The National Security Council (CONASE) on 15 December noted that Bolivia is threatened by international subversive groups—most of which are linked to Peruvian, Colombian, and Mexican drug trafficking rings.

In remarks to LOS TIEMPOS, General Oscar Roca Mejia pointed out that the Peruvian "Shining Path" and "Tupac Amaru Revolutionary Movement" (MRTA) terrorist groups have always viewed Bolivia as an alternative for a large-scale armed movement.

Roca Mejia said the Armed Forces, through the Defense Ministry, are aware of the presence of terrorists in our country. Therefore, he said, the intelligence leadership is constantly processing confidential information for the government.

Roca Mejia noted that our country is under a serious threat over the presence of elite members linked to "subversive centers." He said the state intelligence agencies are logistically incapable of carrying out "strong and dynamic" operations against insurgents "in our territory."

Roca Mejia held the government responsible for this situation as it has paid little attention to the appropriate antisubversive leadership in the Armed Forces and the National Police.

The general complained: "We lack the required funds. There is little government support for contingency plans for safeguarding our country's internal and external security. This makes our state security permeable, fragile, and biased."

Roca Mejia emphasized that armed MRTA people have always been present in Bolivia.

Roca Mejia supported his remarks by mentioning the extensive Bolivian-Peruvian international border strip, involving about 7,000 square km, most of which have

been neglected by our national institutions and the government.

Peruvian Journalists Expelled to Argentina

PY2712163295 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 27 Dec 95

[Report by Jorge Jimenez]

[FBIS Translated Text] While the government was talking to reporters at the front door to explain the illegal detention of two Peruvian journalists, the police were, at the same time, taking them out through the back window and expelling them to Argentina.

President Gonzalo Sanchez de Lozada had promised to review the initial decision after it was confirmed that there were no indications involving Rosa Neyra and Guillermo Vivanco in terrorist activities, which was the accusation initially levied against them.

The president's promise was not fulfilled, and the two were arbitrarily taken to Jujuy and delivered to Argentine authorities. The expulsion occurred on the morning of 24 December. At the time, press organizations were still working on their release.

Up until the evening of 24 December, Foreign Minister Antonio Aranibar had promised an answer; however, by that time Neyra and Vivanco had already been expelled from Bolivia, where they were residing as refugees after leaving Peru.

In Buenos Aires the two will start another hard chapter of their lives before the local UN High Commissioner for Refugees in order to receive assistance and benefits as refugees, a status that was denied to them in Bolivia.

Journalist Rosa Neyra was the victim of sexual harassment by former Peruvian military officer Guillermo Guerra, who was able to mobilize the Ministry of Government's security apparatus to have her expelled. Neyra is sick after having spent several days without food or water in the inhuman conditions characterizing the basement where she was detained.

The Bolivian Press Federation and the La Paz Journalist Union issued a strong protest against this outrage, adding that they will denounce this insensitive treatment before the United Nations, the OAS, and human rights organizations.

Brazil**Decree Protecting National Products Viewed**

*PY2812110095 Sao Paulo AGENCIA ESTADO
in Portuguese 0120 GMT 20 Dec 95*

[Report by Tania Monteiro]

[FBIS Translated Text] Brasilia, 19 Dec (AE)—Acting President Marco Maciel today signed a decree establishing compensatory measures to be applied to Brazilian products that are harmed by unfair competition from imported products that are subsidized in their countries of origin. These measures may result in surtaxes on imported products that harm the sale of certain Brazilian products.

Enterprises that feel harmed by the import of certain foreign subsidized products can now ask the Department for the Defense of Trade—which is under the Industry, Commerce and Tourism Ministry's Foreign Trade Secretariat—to investigate. Luiz Carlos de Brito, executive secretary of the Foreign Trade Chamber, has reported that Maciel signed the aforementioned decree.

The subsidized products cases will be analyzed by a committee of representatives of the Ministries of Finance, Planning, Foreign Affairs, and Agriculture, in addition to representatives of the Executive Secretariat of the Chamber of Commerce. Each case may take nearly six months to be concluded. Once the compensatory measures are implemented, Brazil will have a system to defend its industries from harmful imports. These rules are internationally foreseen by the countries that make up the WTO. Since the beginning of the year, decrees containing two instruments to defend national industries—safeguard and antidumping [preceding word in English] measures have been signed. Brito said the antidumping law will probably be used a lot because it is easy to identify the enterprise that is adopting unfair trade practices and to know how much it is charging for its products.

The decree that was signed today has specific rules for the agricultural area, because this area receives special attention from all governments. Brito said the Brazilian Government plans to implement compensatory measures to areas that traditionally receive state help. He cited the areas of textiles, iron and steel, machinery, electronic appliances, and consumer goods (like food), among others. The compensatory measures may consist of granting subsidies to enterprises that manufacture the products that are being harmed by imports. This subsidy may consist of an increase in the import tax or a reduction of any taxes that the harmed industry must pay.

Subsidies have been classified into red, yellow, and green. Red subsidies, which are deemed forbidden, are those granted directly to exports and to the loans that are conditioned to the consumption of national products. Also classified as red subsidies are those linked to a preferential use of domestically made products in detriment to foreign products. Yellow subsidies are those that can be put into doubt by the harmed country, for example tax exemption. The green subsidies are allowed ones that are not put into doubt. These normally consist of technical assistance, bonuses or credits given to environmentally protected projects or products, participation in fairs, and remittance of catalogs to other countries.

These rules began to be defined by Japan in 1979 and were completed at the beginning of 1995 when the WTO was created to replace the GATT. WTO affiliated countries do not have a deadline to define their rules domestically. Those that do it immediately, however, will be more protected.

Measures Not To Modify Trade Policy

*PY2812112995 Sao Paulo AGENCIA ESTADO
in Portuguese 2258 GMT 22 Dec 95*

[Report by Aldo Renado Soares]

[FBIS Translated Excerpt] Brasilia, 22 Dec (AE)—The signing of a decree that establishes compensatory measures that will be applied to Brazilian products being harmed by unfair competition from imported products does not modify the Brazilian trade policy in any way. The Brazilian Government was already adopting the protection measures contemplated in the Code of Subsidies and Compensatory Rights of the WTO. An Itamaraty source explained on 21 December: "All that was missing was a decree to regulate the procedures in accordance with what was established by the WTO."

Failure to regulate the compensatory measures has hindered the inquiry filed by the Technical and Tariffs Department of the Foreign Trade Secretariat against the United States as a result of the U.S. Government decision to export subsidized wheat to Brazil. The inquiry initiated by Brazilian wheat producers was put aside because the procedures to be adopted in these cases were not clear.

From now on, Brazil has legal instruments to request compensation for losses caused to Brazilian produce by subsidized exports. [passage omitted]

Central Bank President on 1996 Economic Prospects

PY2712231395 Brasilia Radio Nacional da Amazonia Network in Portuguese 0900 GMT 27 Dec 95

[FBIS Translated Text] During an exclusive interview by Radiobras [Brazilian Radio Broadcasting Company] reporters, Central Bank President Gustavo Loyola analyzed the Brazilian economy in 1995.

Loyola emphasized that interest rates will drop and that economic stability will be consolidated next year.

Loyola made a positive evaluation of the Brazilian economy in 1995. He credited this result to two facts: the low inflation rate, which benefited lower earnings sectors by redistributing income, and the growth of the economy, which for the second consecutive year stood at 4 to 5 percent.

For 1996, Loyola advocates structural changes in the economy, noting that interest rates will be lower.

[Begin Loyola recording] It is necessary to reduce the so-called Brazil Cost. It is necessary to make the Brazilian economy more competitive, and it is necessary to adopt reforms that will revitalize the public sector's investment capacity, which will make available to low income sectors the benefits of education, health, and so forth. Summarizing, it is necessary to move along that course.

Concerning what I would call our short-term economic policy, like our monetary and exchange rate policy, I see no reason for major changes.

Concerning the external sector, the trade balance, as I said, is undergoing a reactivation process, which should continue in 1996.

From our viewpoint, our trade surplus in 1996 is very likely to be smaller than our average surplus of the past few years. However, this surplus will nevertheless be very significant, especially considering it results from an increase of exports, rather than from a reduction of imports.

Interest rates have been dropping since May, and if everything turns out well, this trend is very likely to continue in 1996. The monetary policy obviously depends on ongoing economic circumstances. Yet it is clear that our long-term objective is to have a rate as close as possible to those in other countries. [end recording]

Gustavo Loyola does not believe the government will meet obstacles getting the reforms approved in Congress, even the most controversial ones like the tax and social security reforms.

Central Bank Reaches Decision on 'Pink File' Inquiry

PY2712185095 Rio de Janeiro Rede Globo Television in Portuguese 1515 GMT 27 Dec 95

[FBIS Translated Text] The Central Bank [BC] management is discussing in Sao Paulo the results of the investigation into the leaking of information from the pink file. The documents in the pink file, which were found in the Economico Bank by a BC official, reveal the names of politicians who received money from the bank for their election campaigns.

The BC investigative commission has concluded that no one from the Central Bank was responsible for the leaking of information.

Article: Crises Generated by Central Bank Reviewed

PY2812012595 Sao Paulo FOLHA DE SAO PAULO in Portuguese 17 Dec 95 Section 1 p 12

[Article by Gustavo Ratu]

[FBIS Translated Text] The Central Bank (BC) has become a source of permanent crises during President Fernando Henrique Cardoso's administration. Partly due to the increasing power granted to the BC and partly because several vices, such as lack of openness and closeness between the BC members and the private area financial system, continue to exist.

Within the executive branch's economic area, the BC has rather unfriendly relations with the Planning Ministry and the Federal Revenue Office. Perhaps because the heads of these institutions have not participated in drafting the Real Plan.

Among politicians, the BC has a large number of enemies in the Bahia State Liberal Front Party [PFL-BA] and in the Sao Paulo State Brazilian Social Democracy Party [PSDB-SP]. These two parties have been the pillars of the electoral machine that took Cardoso to the Presidency of the Republic. In addition, the BC is hated by the powerful ruralist bloc, which gathers nearly 120 congressmen around the interests of the agricultural-livestock area.

The BC is one of the favorite targets of the opposition parties, particularly the Workers Party [PT]. This can be explained: The BC has been traditionally defending an orthodox economic policy consisting of high interest rates and reduced public expenditures.

Finally, the Sao Paulo State Federation of Industries also has frictions with the BC: The enterprises complain about the high interest rates and about the devalued dollar exchange rate, which harm exports.

These problems have already made President Cardoso give up a project that he supported while at the head of the Finance Ministry: that of making the BC independent, without being directly subordinated to the Finance Ministry and the president of the Republic himself.

According to what FOLHA could find out, President Cardoso planned, until the end of 1994, to include measures to make the BC independent in the package which was to be sent to Congress in February.

Planning Minister Jose Serra and Civil Household Chief Clovis Carvalho are the main opposers of this idea. Even Finance Minister Pedro Malan, who supported the idea of an independent BC, has stopped talking about the issue.

Powers

Although he no longer gives open support to an independent BC, Malan—who is a former BC president—has granted more autonomy to the BC and, in addition, more powers.

As all other central banks worldwide, the BC is responsible for the interest rate and exchange rate policies. It is also responsible for managing cars and electrical appliance pools, the rural credit, the housing area credit, and for supervising the other banks.

According to Law 4595 of 1965, the National Monetary Council (CMN) should have more power in establishing the monetary and exchange policies than the BC. The Real Plan, however, has rendered the already decaying CMN powerless.

The CMN—which was comprised of several ministers, presidents of federal banks, and representatives of the private area and of workers—is now comprised only of the BC president and the planning and finance ministers.

Through a provisional measure [MP] that was issued in November, the government has granted the BC power to force a bank to increase its capital, to promote share adjustments, and even to modify a bank's control over shares. Another MP has created a program for bank merging, which is administered by the BC.

Crises

Most of the political crises involving the BC during Cardoso's administration have resulted from its trusteeship over other banks.

Criteria on which these trusteeships have been based have not been well clarified and have thus caused controversy. In practice, there is no rule defining when and how the BC should act regarding a bank that is in a critical situation. To justify a trusteeship, the BC can

allege, for example, that it deemed that the bank in a critical situation had "reckless management."

The BC has taken over the administration of the Sao Paulo State Bank (Banespa), thus becoming involved in a dispute with Sao Paulo Governor Mario Covas (PSDB). Then, the BC closed the doors of the Economico Bank, thus attracting the wrath of the Bahia PFL, which wanted the same treatment granted to Banespa for the Economico Bank. This treatment has ended up being granted to the Nacional Bank.

The Nacional Bank has been divided into two parts. The one suffering a deficit has been taken over by the government and is under the regime of trusteeship. The economically healthy part of the bank has been incorporated by the Unibanco. This was the type of treatment the Bahia PFL wanted for the Economico Bank.

In addition to banking crises, the BC ended up being suspected of involvement in the leakage of privileged information to the financial market when it modified the exchange policy in March.

The volume of non-proven suspicions has increased because the then BC President Persio Arida spent a holiday at the farm of banker Fernao Bacher, who is also a former BC president.

The Seven BC Mistakes

The Banespa Case—What has happened: Trusteeship over Banespa in order to privatize it puts Governor Mario Covas (PSDB) and the entire Sao Paulo bloc against the BC. Cardoso then made the political decision of returning Banespa to Covas.

Official version: Banespa will adjust its accounting figures.

The Salaries Case—What has happened: Secret proposal for readjustment of BC employees' salaries in September in up to 38 percent leaks and is severely attacked by the government. Through his spokesman, Cardoso publicly forbade the salary increase.

Official version: The readjustment proposal was simply being studied.

The Economico Bank case—What has happened: The BC closes the Economico Bank doors in August. The Bahia PFL wants for the Economico Bank a treatment equal to that granted to Banespa and threatens to break with the government. The deficit totals 3.5 billion reais as a result of the BC delay in taking action.

Official version: Trusteeship was merely technical. The government has not lost any money.

The Exchange Market Case—What has happened: Changes in the exchange policy in March have generated charges that information has been leaked to certain banks. Secret data on operations with dollars reach the hands of Senator Jose Eduardo Dutra (PT-SE) [PT-Sergipe]. Two months later, Persio Arida decided to leave the BC presidency.

Official version: There has been no leakage. Arida has left for personal reasons.

The Bank Mergers Case—What has happened: The government issued the MP that favors bank mergers with public money. Congress attacks the BC, which had promised to discuss the measure before issuing it. The Federal Revenue disputes with the BC and demands less fiscal benefits to bank mergers.

Official version: Without assistance, the system will go bankrupt and this would be much worse.

The deficit case—What has happened: Jose Serra (planning minister) and the BC exchange offenses behind the scenes, each one blaming the other for imbalances in public accounts during the second half of the year.

Official version: There are no disagreements between the Finance and Planning Ministries.

The "Pink File" Folder Case—What has happened: Economic Bank documents under BC possession reveal alleged contributions to electoral campaigns. Serra and Antonio Carlos Magalhaes (PFL-BA) are mentioned in the documents and, as a result, begin attacking the BC.

Official version: Cardoso says that he trusts the BC board of directors.

The BC has 6,200 employees.

Roundup of Economic Reports Through 27 Dec PY2712214895

[FBIS Editorial Report] The following is a compilation of reports on economic activities in Brazil monitored through 27 December.

Basic Leading Indicators

Steel Production Figures—The production of raw steel dropped by 6.4 percent in November in comparison with October. The total produced in November was 2.02 million tonnes. Compared to November 1994, production dropped by 6.56 percent. The record production figure was registered in August with a total production of 2.31 million tonnes. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 22 Dec 95 section 2 p 2)

Inflation Rate Figures—The annual inflation rate measured by the Expanded Consumer Price Index, IPCA,

was 22.47 percent. The special IPCA index, which is calculated by the Brazilian Geography and Statistics Institute, IBGE, and which measures the inflation variation every quarter and was created with the purpose of readjusting the Reference Fiscal Unit, UFIR. The IPCA in the last quarter of the year was 4.22 percent as a result of the a 1.36 percent inflation rate in October, 1.46 percent in November, and 1.34 percent in December. The special IPCA in 1994 was 890.89 percent. (Sao Paulo AGENCIA ESTADO in Portuguese 1813 GMT 22 Dec 95)

Salary Increase Figures—The income of workers earning up to 186 reais per month has increased. Salaries for that group increased 33.7 percent during the August-October 1995 period in comparison with the July-September 1994 period when the Real Plan began. According to a study carried out by the Interunion Department for Statistics and Socioeconomic Studies, DIEESE, and the State System Foundation of Data Analysis, SEADE, in greater Sao Paulo, during the same period, salaries of those who earn more than R1500 dropped by 2.5 percent while for the average workers, however, their salaries increased by 0.5 percent. (Rio de Janeiro O GLOBO in Portuguese 24 Dec 95 p27)

Rio de Janeiro Economic Growth Viewed—According to a study carried out by Istvan Kasmar, from the Getulio Vargas Foundation, Rio de Janeiro State was responsible for 12.61 percent of the Brazilian GDP in 1995, while Minas Gerais was responsible for 12.56 percent, and Sao Paulo for 35.85 percent of the Brazilian GDP. The following are some investments planned for 1996 in Rio de Janeiro: National Iron and Steel Company, CNS, will invest 300 million reais [R], Brahma brewery with R600 million; Antarctica brewery with R90 million, Zenith televisions with R60 million. The expansion of the Teleporto with the construction of 18 intelligent buildings for companies is the most expensive project foreseen for 1996: R725 million. Then comes the chemical-gas center that will be built in Duque de Caxias, which will cost R600 million. The construction of four port terminals in the Port of Sepetiba will cost R500 million, half of which will come from private initiative. The Rio de Janeiro government will invest R548 million in the construction of a passenger and cargo terminal in Galeao Airport which will be connected to the Port of Rio and to a Federal Railway line. The main responsible for the economic growth of Rio de Janeiro state this year is the Real Plan. Other states whose economies grew considerably, even more than that of Rio, are: Pernambuco and Santa Catarina with an economic growth of 10.8 percent and 9.3 percent respectively. (Rio de Janeiro O GLOBO in Portuguese 25 Dec 95 p 15)

Financial Operations

French Science Delegation Visits—A delegation from the National Space Studies Center of France has visited the National Institute of Space Research, INPE, in Sao Jose dos Campos, Sao Paulo. French and Brazilians are trying to implement an agreement for the joint development of micro satellites. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 23 Dec 95 section 1 p4)

Iraq Sells Part in Company—The Iraqi Government has finally agreed to sell its part of an insurance company it has with the Bank of Brazil to the same bank. The decision will allow the Seguradora do Brasil to begin operating soon. The mentioned insurance company was deactivated since Iraqi assets were frozen in the whole world. The Bank of Brazil wanted to buy Iraq's part since long, but the Iraqis never agreed on a price. The deal was closed this week. (Rio de Janeiro O GLOBO in Portuguese 23 Dec 95 p 22)

Financial Operations

Investment Projections for 1996—Brazil should next year receive \$1.18 billion worth of foreign investments for the industry and commerce sectors. By 1999 that volume should amount to \$4.87 billion, according to a study made in November by the Industry, Commerce, and Tourism Ministry among the 100 largest foreign private companies. Together with national capital, investments in 1996 should amount to \$6.62 billion and by 1999 to \$28.24 billion. The largest investments will be made in the car industry in which \$2.86 billion will be invested in 1996 alone. By 1999 investments in this industry will amount \$10.67 million, 10 percent of which will come from abroad. The car spare-part industry is planning to invest \$199 million next year and a total \$920.5 along the next four years. Pharmaceutical and chemical industries come second in planned investments for 1999: \$4.58 billion. Investments in the recently privatized steel industry will amount to \$616 million in 1996, while investments in the electro-electronic industry and in informatics products will amount to \$1.42 billion in the next four years, \$50 million of which will come from abroad. (Sao Paulo AGENCIA ESTADO in Portuguese 1820 GMT 25 Dec 95)

Privatization

Privatization Dates Established—The National Privatization Council, CND, yesterday decided that the Light, Power Services, Inc., will be auctioned on 13 March 1996. The minimum price was established in 3 billion reais, R, but only 60 percent of that sum, that is, R1.8 billion, will be offered to the public on that date. National Bank for Economic and Social Development, BNDES, Privatization Director Elena Landau said

that the price could vary if the income tax on companies is reduced and if the National Water and Electric Power Department, DNAEE, creates fees for concessions. These two factors would have a R500 million impact on Light's price, which would then climb to R3.5 billion. The auction bid call will be published on 29 December. Contrary to the bid of Escelsa, Espirito Santo Power Plants, Inc., that was auctioned in a single bloc, light will be atomized in blocs of 10,000 shares. The CND also established that Copol Petrochemical Company will be auctioned on 23 January. The western network of the Federal Railroad System, Inc., will be auctioned on 5 March. (Sao Paulo GAZETA MERCANTIL in Portuguese 21 Dec p B2)

Trade Issues

Oil Import Figures—Between January and October Brazil imported \$2.166 billion worth of oil, which is 20.6 percent more than what was imported during the same period last year, which was \$1.796 billion. This is consequence of price increases, because purchases increased from 18,089 million tonnes of oil to 18,627 million tonnes, which is only a 2.7 percent increase. During the same period, internal oil production increased by 2.7 percent. Venezuela has been one of Brazil's main suppliers which increased sales from 1.561 million tonnes during the first 10 months of 1994 to 2.638 million tonnes during the same period in 1995 worth \$283.5 million. The increase of purchases from Venezuela has naturally reduced purchases from other countries. Saudi Arabia, however continues being the main oil supplier for Brazil having sold 6.579 million tonnes of oil between January and October 1995, that is 35 percent of the total Brazilian oil imports. The purchases in volume from Saudi Arabia, however, dropped by 5.7 percent, although expenses increased from \$670.4 million in 1994 to \$760.4 million in 1995. Business with Iran also increased by 60.7 percent in volume for 963.200 tonnes in 1994 to 1.548 million tonnes in 1995, and by 61.91 percent in value from \$107.4 million in 1994 to \$173.9 million in 1995. Exports to Kuwait dropped from \$228.6 million for 2.708 million tonnes in 1994 to \$190.6 million for 1.661 million tonnes in 1995. Argentina, which is currently Brazil's second main oil supplier with 21.7 percent, practically maintained its position during the first 10 months of the year. Brazil imported 4.005 million tonnes in 1994 and 4.057 million tonnes in 1995. Expenses, however, increased from \$425.7 million in 1994 to \$483.4 million this year. (Sao Paulo GAZETA MERCANTIL in Portuguese 22 Dec 95 p 5)

Chile

Frei Reasserts Implementation of Government Plans

PY2812113495 Santiago EL MERCURIO in Spanish
23 Dec 95 p A1, A20

[FBIS Translated Excerpt] President Eduardo Frei has reasserted that the government will not modify the path it has outlined because of pressures from groups or sectors that are unwilling to comply with some plans, such as the modernization of the state.

During the dedication ceremony of the road linking Quilicura with Lampa, Frei yesterday said that in 1996 emphasis will be placed on modernizing public services so as to make them more efficient.

He acknowledged that certain groups are against change. He warned them that neither the administration nor the president will tolerate pressures to halt the achievement of progress in this area.

Frei referred to the ECLA [Economic Commission for Latin America] report issued two days ago which states that Chile is the country that experienced the most economic growth in Latin America

He said: "I want to reassert what I have already said this year: We are on the right path. The administration knows very clearly what must be done and it will not modify its plans."

Frei indicated that the main concerns for the future continue to be modernization and social justice. He said all Chileans must feel proud of the economic results achieved because they are the fruit of the efforts of all Chileans.

He added: "This economic growth is a solid basis for achieving social progress. It signifies better and more jobs, more income to be spent in education, health and housing."

Frei said that those who serve the people must center their efforts to achieve development and "we must redouble our efforts to achieve the established objectives."

In view of the opposition of some to implement the modernization program, Frei addressed those who oppose the announced policy for sanitation companies, ports, and the health and educational reforms.

He asserted that "we will defeat apathy" so that development may reach all Chileans. [passage omitted]

Speaking about Christmas and its deep significance for the Chilean people, Frei reasserted his request to all Chileans to celebrate Christmas in a humble and unpretentious as it has been traditionally celebrated in Chile. [passage omitted]

He added that in all the decisions that are adopted, the administration's main objective is to build a fatherland of united people who make great efforts to eradicate poverty and misery.

After stating that 1995 has undoubtedly been a good year from the economic viewpoint, Frei said this compels us to work even harder so that its results may reach all Chileans. He added: "Particularly the children who want to live in a truly just fatherland which uphold fundamental values. Merry Christmas to all and a happy 1996. Let us continue to work for Chile and for its people."

Argentine Stand on Talks With Mercosur Criticized

PY2712210295 Santiago EL MERCURIO in Spanish
23 Dec 95 p B24

[FBIS Translated Text] Carlos Mladinic, chief of the Chilean team negotiating with Mercosur [Common Market of the South], has criticized Argentina for its demands to allow our country's membership to the economic group comprising Argentina, Brazil, Paraguay, and Uruguay.

Mladinic, who is also the Chilean Foreign Ministry International Economic Relations Director, has said that "Argentina intends to continue discriminating against Chile. This means that we would join the other Mercosur markets with an agreed upon tariff, but Argentina will add a surcharge that is not imposed on the other countries of the treaty."

Mladinic added that the disagreement with Argentina "is about a ceiling we have proposed from the beginning of the negotiations and which is kept in black and white."

Finally, Mladinic also expressed his disagreement with the specific rights imposed by Argentina on some imported products, such as textiles and shoes.

"This is so because they violate the commitments of the WTO," Mladinic concluded.

Colombia

U.S. Evidence To Help Prosecute Cali Group Members

PA2712190095 Santa Fe de Bogota Inravision
Television Canal A Network in Spanish
1730 GMT 27 Dec 95

[From the "Colombia 12:30" newscast]

[FBIS Translated Text] Ernesto Carrasco, director of international affairs at the Prosecutor General's Office, today reported that a few days ago U.S. authorities sent to Colombian authorities evidence that involves brothers

Miguel and Gilberto Rodriguez Orejuela in the shipment of cocaine to the United States.

He also reported on the Pallomari case. The testimonies and the documentary evidence provided by U.S. authorities will be decisive in prosecuting the Cali group members within a month.

[Begin recording] [Unidentified official] Regarding the Tarpon Springs case, the Prosecutor General's Office recently received documentary evidence that will be attached to the file in Colombia after it is translated.

[Unidentified reporter] What about the Jorge Eliecer [not further identified] case?

[Official] The Jorge Eliecer case is undergoing proceedings in the Prosecutor General's Office at this time.

[Reporter] And what has been the answer?

[Official] We have been informed unofficially that this case would be included in what they describe as new cases, for which judicial cooperation has been suspended. [end recording]

Regarding the Pallomari case, the questioning proceedings have been suspended but will continue in the United States next year.

[Begin unidentified official recording] What happened was that, because there was no defense lawyer, the Prosecutor General's Office delegates in their second trip fulfilled some tasks that had been designated by several Supreme Court of Justice magistrates. [end recording]

Ecuador

'Progress' Noted in Normalization Process With Peru

PY2712231495 Quito Voz de Los Andes in Spanish
1700 GMT 27 Dec 95

[FBIS Translated Text] Despite the current despicable rhetoric against Ecuador in the Peruvian media, new progress has been made in the past few days in the process undertaken to normalize bilateral ties.

After deliberating in Quito, the Ecuador-Peru Military Observers Mission, MOMEPE, has exhorted Ecuadoran and Peruvian military to promote bilateral dialogue to encourage mutual confidence.

Moreover, after holding a meeting, Peruvian and Ecuadoran businessmen have voiced their complete support for the decision adopted by the Quito and Lima governments for establishing a good neighbor commission, which they described as a beneficial initiative.

In addition, the two governments have expedited contacts to prepare for the upcoming meeting that Ecuadoran Foreign Minister Galo Leoro Franco and Peruvian Foreign Minister Francisco Tudela are scheduled to hold in Lima in three weeks.

The foreign ministers' meeting scheduled to be held as of 17 January will be preceded by a two-day meeting of MOMEPE, which as of this month is headed by Brazilian General Francisco de Albuquerque.

Minister Rules Out 'Feared' Set of Economic Measures

PY2712152395 Madrid EFE in Spanish
1328 GMT 27 Dec 95

[FBIS Translated Text] Quito, 27 Dec (EFE) — Ecuadoran Finance Minister Ivan Andrade today ruled out the adoption of a "feared" set of economic measures to alleviate the financial crisis the country is enduring.

In an interview with the television network "Teleamazonas," Andrade said: "There will be no announcement of new economic measures, which would lead people to think that there will be a variation in the exchange rate or new taxes or new tariffs (in basic services). This definitely will not happen."

The "feared" package of measures created an environment of restlessness in the financial sector late yesterday when people speculated that President Sixto Duran-Ballen would release a message to the nation.

Nevertheless, Andrade said that "certain" types of measures — which he did not reveal — will be adopted to solve the economic crisis into which the country has fallen as a consequence of the undeclared war with Peru at the beginning of the year, and because of the energy and political problems that affected the country in 1995.

The measures that will be adopted, which are expected to be announced by the president of the Republic today, seek to "give tranquillity to depositors, especially to the owners of small savings accounts in the national financial system," the finance minister said.

This year, which, according to Andrade's projections, will end with an inflation rate of approximately 22 percent, has been "critical," and because of the political problem that emerged due to the presumed embezzlement of state funds by former Vice President Alberto Dahik, the flow of foreign capital has dropped.

With this, the level of liquidity in the local financial system has dropped and, in turn, a resultant pressure on the interest rates has emerged. We will try to reduce this by adopting new economic measures, he said.

Ecuadoran Central Bank sources have told EFE that the inter-banking interest rate has, on several occasions, exceeded 50 percent; on some occasions during the past month, it has even been higher than 100 percent.

According to economic analyst Walter Spurrier, banking and commercial sectors have exerted pressure in an effort to force a currency devaluation to end the exchange rate lag, as well as to force a reorganization of the government financial team, since its mastermine was lost when Dahik escaped to Costa Rica.

According to banking sources who preferred to remain anonymous, pressure is being exerted by the strong banks that purchased great amounts of dollars, contracting, in the process, debts in sucres (local currency) at interest rates higher than 60 percent.

President Outlines Economic Measures

PY2812025095 Quito Voz de Los Andes in Spanish
0132 GMT 28 Dec 95

[Address to the nation by President Sixto Duran-Ballen from Quito — live or recorded]

[FBIS Translated Text] Good evening, countrymen: 1995 was definitely a hard year for all of us. It was a year full of frustrations, of unpredicted circumstances such as the conflict over the Cenepa River with Peru, and the energy and political crises. This situation demanded our efforts and resources to face these serious problems.

I share with you the concern for everything that has happened but I maintain the faith and hope that with strength, work, and unity we will be able to live better days.

Aware that factors foreign to the economic program have caused a deactivation of the economy, high interest rates and a reduction of capital coming into the country with adverse effects on the situation of liquidity and production, we have decided in the last few days to adopt a series of actions to face this situation.

Tonight, I would like to announce the actions that I have ordered for the reactivation of the productive sector:

1. The Monetary Council has significantly activated the operations of the treasury of the Central Bank to accelerate the liquidity of the financial system in an agile and timely way. This helped to overcome the problem of illiquidity which appeared in some financial institutions in the last few weeks.

2. In the next few days, I will send to Congress a bill for urgent debate allowing the expansion of access to liquidity credit established in Article 25 of the Monetary Law to all the financial institutions in the country.

3. The Banking Council has promoted the consolidation of financial institutions through alliances, mergers, and increase of capital to strengthen the solidity of our financial system.

4. The Finance Ministry is overcoming the problem of cash, which is gradually allowing putting payments up to date, especially those related to salaries, supplies, and services. This is allowing a greater circulation of money and a greater demand for goods and employment.

5. We have negotiated with the Inter-American Development Bank, IDB, the activation of a disbursement of \$50 million in multisectorial credits, which will be channeled as long-term financing for new projects of the productive sector through the financial system. In other words, these resources will serve to support the people and the companies which have taken the challenge to work and produce.

6. A new mechanism to reactivate the productive sector is ready. This mechanism will allow the extension of debt payments which the private companies dedicated to agricultural, industrial, construction, and services activities in general have with the financial system. The new terms will be from three to seven years; yes, from three to seven years. This plan will be implemented through the National Financial Corporation.

The funds assigned for this purpose will amount to 1 trillion [as heard] sucres; that is, my fellow citizens, one million times one million sucres. Where will that money come from? The Andean Development Corporation will provide \$200 million; while (?180) billion sucres will come from part of bank deposit reserves; and 345 billion sucres from National Financial Corporation funds.

This scheme will make it possible for us to definitively reactivate the productive sector, which will have longer credit repayment periods, lower interest rates, and a more expedient rediscount system at the National Financial Corporation.

I want to reaffirm this evening that my government has been steadily and permanently concerned about protecting Ecuadoran workers. This is the reason for our efforts and our emphasis on curbing inflation. Along with the urgent bill that I have just mentioned, existing regulations have been strengthened in order to protect and give tranquility to the Ecuadoran owners of savings deposits in our financial system.

As part of the actions we have undertaken, over the past two months we implemented an appropriate exchange rate adjustment. Any additional devaluation will bring no additional benefit, but social costs, like the deterioration of the purchasing power of salaries and of the real value of savings deposits owned by

the Ecuadoran people. Consequently, fellow citizens, we will firmly fight any speculative attack against the stability of the exchange rate. That is, we will not yield to any devaluation pressure. We will not yield to any devaluation pressure [repeats self].

I once again reiterate my support for the economic program, which has shown to be strong enough to successfully cope with the successive crises in 1995. For this effort, economic officials will have my full support.

Yet I must say, fellow citizens, that I ordered the implementation of all the decisions made by my economic team, because I am aware that they have promoted economic stability, which is essential for our country's socioeconomic development. Such decisions will reactivate the productive sector, will generate new jobs, and will make the economy more dynamic and stronger, thus improving the well-being of Ecuadorans.

In addition to this, fellow citizens, this evening I should tell you that I share with all of you the concern, the indignation, and the frustration over the energy crisis that we have experienced over the past few months. This is a problem that has been generated over a period of several years. Yet this is not the time for blaming anyone or for embittering ourselves, but for finding efficient and final solutions.

I have ordered a radical restructuring of the Ecuadoran Institute of Electrification, INECEL. The unacceptable and irregular electric power supply, which has burdened our country, calls for final solutions with which we can expedite the contracting, installation, and operation of emergency plants to counter the deficit caused by the lower flow in the Pauta electric power plant. Engineer Donald Castillo has been appointed the new general manager of INECEL and he will be installed tomorrow.

But I have also ordered the reorganization of the executive board of INECEL. The installations for producing energy that have been contracted will go into operation in the next few days. The thermoelectric plants of INECEL which were undergoing maintenance will also go into operation. These equipment will complement the electricity being produced by the CFE [Federal Electricity Commission] of Mexico, of (Sednar) of Colombia, and of Emelec [Ecuadoran Electric Power Enterprise]. In order to reinforce these tasks and to guarantee the supply of energy, I have ordered the negotiations of two additional plants, one of which is already in the country.

Work has been carried out for several weeks on this electrical emergency plan which includes the installation and operation of new thermoelectric plants. With these actions we will face the problem in the short and medium term.

Also, in accordance with the announcement made a few days ago, I have ordered the total reorganization of Petroecuador [Ecuadoran State Petroleum Enterprise], of its entire administration council, and of its branches — Ecocomercial, Petroindustrial, and Petroproduccion. What we are aiming for is to reorganize these institutions with the purpose of overcoming a series of deficiencies that were detected in their operation.

With this purpose in mind, a decision was made to appoint General Patricio Lopez Moreno as president of Petroecuador. I have also ordered a thorough investigation of the procedures for buying fuel. If violations of the law and irregularities are confirmed, I will be the first to demand severe sanctions for the guilty ones.

Fellow citizens, at the conclusion of 1995, I want to reaffirm my permanent and unavoidable commitment for continuing to work in fulfilling the objectives and aspirations of the Ecuadoran people. We will make progress in our tasks with firmness and determination. In August 1996, we will hand over a country in which we can all live better.

We will take over with absolute patriotism and independence the process of democratic transition in face of the electoral campaign, which has already begun, for the upcoming May presidential elections. We definitely guarantee a civic and clean process.

Fellow citizens, it is important, however, that in face of the new year we put away negative and destructive attitudes, which in no way contribute to the solution of our real problems. Let's not allow a culture of scandal to be installed in the country. Let's not allow the return of attacks, insults, slander, blackmail, and abuse.

I ask the media and the people in general not to listen to absurd and unfounded charges because they only seek to destroy the good name and honor of people, and to create in the country an environment of uncertainty, of dangerous aggressiveness, and violence.

Let's not allow political practices, that are taken to shameful and inadmissible levels, from leading us to dramatic, painful, and useless internal division. I believe the time has come in Ecuador to answer hate with benevolence, revenge with understanding, and deceit with honesty and truth.

Fellow citizens, the time has come for the reunification of the country, that we put aside political differences, that we recover the environment of respect, harmony, and tranquility which are necessary so that together we can work and progress.

Let's make a commitment; let's make the idea of contributing to our well-being a national obligation;

let's dedicate our ability to the idea of giving to the future generations a country that moves ahead decisively toward its progress.

Let's receive the new year with faith and optimism. Fellow citizens, happy new year. Good evening.

Vice President Eliminates Discretionary Funds

PY2712231095 Quito Voz de Los Andes in Spanish
1700 GMT 27 Dec 95

[FBIS Translated Text] Vice President Eduardo Pena Trivino has asked the National Treasury to return to the single National Treasury account the balance on hand at the Central Bank of the money allotted for discretionary funds for the vice presidency. Furthermore, he requested the closure of this account.

Vice President Eduardo Pena Trivino fulfilled the commitment he made when he assumed office. From now on the vice presidency will no longer handle discretionary funds.

His request to the National Treasury clearly shows the vice presidency is willing to work for the country within a framework of peace and harmony so Ecuador may achieve its lofty goals.

It is hoped Vice President Pena Trivino's decision is followed by all Ecuadoran public administrators.

Commander Denies Attempt To Become 'Another Pinochet'

PY2812001895 Quito Voz de Los Andes in Spanish
1700 GMT 27 Dec 95

[FBIS Translated Text] Army Commander Paco Moncayo, who was named Man of the Year, has reasserted his democratic convictions and minimized the opinion of a former Peruvian Army commander who said Moncayo seeks to become another Pinochet, alluding to the current Chilean Army commander [and former president].

Speaking to journalists about the statement by Edgardo Mercado, Peruvian Army commander during the government of General Juan Velazco Alvarado [1968-1975], who reportedly compared Moncayo to Pinochet, General Paco Moncayo said: He is completely wrong.

The 55-year-old Ecuadoran general said Mercado's opinion is part of a Peruvian psychological campaign to discredit Ecuadoran military and political leaders.

A massive disinformation campaign against Ecuador is currently being conducted in Lima. The Ecuadoran people must be alert to the news.

Paraguay

President Promotes General Noguera to 4-Star Rank

PY2712195995 Asuncion ULTIMA HORA in Spanish
27 Dec 95 p 4, 5

[FBIS Translated Text] President Juan Carlos Wasmosy this morning reestablished the rank of four-star general, which will have an important political and institutional role in the coming years. The president handed the Army general shoulder boards to military forces Commander Silvio Rafael Noguera. Six division generals and 10 brigade generals also received their shoulder boards.

The "four stars" will have a key role in the country's future because if Gen. Noguera stays in the post for at least three years, controversial Gen. Lino Oviedo must inevitably go into retirement in May 1997. On the other hand, if Noguera leaves the Army before that date Gen. Lino Cesar Oviedo will be promoted to the rank of Army general because he is the second in seniority after Noguera.

It is worth noting that the implementation of this rank was something the military wanted for a long time and it could be considered a point in favor of President Wasmosy.

The ceremony was held at the Armed Forces commander in chief's office and was attended by the highest-ranking military officers, executive branch ministers, and the relatives of promoted officers.

Wasmosy handed the shoulder boards to each one of the new generals, then he congratulated them, and left the hall without paying any attention to reporters.

Santiago Zaracho, Hector Ocampos Diaz, Augusto Nunez Gonzalez, Jose Segovia Boltes, Pedro Fernando Torres, and Eligio Torres Heyn are the new division generals. The new brigade generals are Luis Julian Riego, Hector Galeano Ruiz Diaz, Osvaldo Faria, Jorge Caballero, Calixto Moral, Abilio Gimenez, Guillermo Samaniego, Guillermo Escobar, Oscar Sebald Schulz, and Mario Gomez de la Fuente.

Noguera is the second military officer, after Marshal Jose Felix Estigarribia, who receives the "four stars" without seating at the Armed Forces Chief of Command or the Presidency of the Republic. Previously the rank was held by dictator Alfredo Stroessner and Gen. Andres Rodriguez, both of them during the time they were presidents of the Republic.

Peru**Fujimori Addresses Military, Police, Antidrug Efforts**

PY2712170595 Lima America Television Network in Spanish 0100 GMT 27 Dec 95

[FBIS Translated Excerpt] President Alberto Fujimori has said that there will be no surprises in the government economic program for 1996. Fujimori has thus rejected rumors in this regard. He also denied a supposed transfer of General Antonio Ketin Vidal as police attache to the Peruvian Embassy in Panama. President Fujimori made these remarks after witnessing the burning of almost six metric tons of drugs at the former Barbadillo farm. [passage omitted]

President Fujimori has stressed the success achieved by the Armed Forces and the National Police in the antidrug fight. Referring to this matter, he said that the actual delegating to the police of functions the Armed Forces have been carrying out will be a gradual process and that it will begin as soon as he promulgates the new law, according to the legislative powers bestowed upon him by the national Congress.

[Begin recording] [Unidentified reporter] How long will this transition process take, Mr. President?

[Fujimori] We are evaluating it, and it will take the necessary time so that the police will be able to act with the same efficiency they have exhibited thus far. The police must be praised because they have been successful in the antiterrorist fight and in the antidrug fight.

[Reporter] Has an additional budget been considered for this new work?

[Fujimori] The budget is the same as that included in the general budget of the Republic, that portion assigned to the police, in addition to the small resources assigned by the United States in the antidrug fight.

[Reporter] It is said that the Police general director will reportedly continue as head of this institution, and that General Ketin Vidal would go as Peruvian ambassador to Panama, or as police attache to that embassy. Can you confirm this?

[Fujimori] Who said that?

[Reporter] There are rumors circulating in this regard.

[Fujimori] Well, then, they are just rumors. But speaking about this, I want to tell the people not to believe in rumors....

[Reporters, interrupting] [questions indistinct]

[Fujimori] I am sorry, I have not finished yet. I want to repeat this. I do not want the people to believe in rumors, in gossip or speculation. The government is working objectively, and considering the people's merits.

Since you have mentioned Gen. Ketin Vidal, some weeks ago I gave him a very special task, that of preparing an entire strategy for the citizens' security, and the job of seeking improvement in the flow of traffic, especially in the large cities. I believe Gen. Ketin Vidal will do this with the efficiency that is characteristic of him, and soon he will explain this strategy, or the steps to be followed.

[Reporter] Will he maintain his role as Inspector General of the police?

[Fujimori] I am not going to make any other type of announcements at this moment, but I repeat, he is in charge of a very important task, of something that is urgent and that we have all experienced, especially during these year-end holidays....

[Reporter, interrupting] Will there be changes in the cabinet?

[Fujimori] No. Regarding changes in the cabinet, I am not going to say anything yet....

[Reporter, interrupting] Do you reaffirm your confidence in the economy minister?

[Fujimori] I am not going to make any more comments. All ministers have done a very good job. [end recording]

In the afternoon President Fujimori met with his ministerial cabinet to discuss the legislative powers granted to him by the legislative branch. It was also learned that they discussed the U.S. Administration's authorization to Ecuador for the purchase of fighter planes. [passage omitted]

Uruguay**Official Rejects U.S. State Department Criticism**

PY2712210395 Montevideo EL OBSERVADOR in Spanish 20 Dec 95 p 3

[FBIS Translated Text] Alberto Scavarelli, secretary general of the National Board for the Prevention and Repression of the Illicit Drug Trafficking and Drug Abuse (Junta Nacional de Prevencion y Represion del Trafico Ilicito y Uso Abusivo de Drogas), yesterday lashed out at some remarks included in a U.S. State Department report that was mentioned in the 18 December edition of EL OBSERVADOR.

Scavarelli said: "It is an absolute inaccuracy — and I would say rashness — to purport that the BCU [Central

Bank of Uruguay] does not exercise jurisdictional functions as the leading authority for the entire Uruguayan financial system." He emphasized: "Exactly the opposite is taking place."

Scavarelli pointed out: "The functioning of the Uruguayan financial system and the role that the BCU is playing in this field are very clear to us. In no way can we accept a foreign report noting that Uruguay now is being negligent on this issue."

Scavarelli added: "There is not a negligent financial circle in Uruguay that could be favorable for money laundering. To assert this, would be tantamount to ignore the money-laundering processes conducted by drug trafficking organizations."

In this regard, Scavarelli noted that no one in Uruguay can open an anonymous account. Deposits over \$100,000 must be reported to the BCU, which enters them on a compulsory list, he said.

Scavarelli explained that there are grounds for "protecting" the banking secrecy — which, as he confirmed,

exists — "as long as there is no court warrant." If these points are not explained, "they could be very detrimental to our country," he noted.

Upon describing as "very careful (the BCU performance) in controlling the financial system," Scavarelli added: "Uruguay does not plan on building up its economy or supporting its financial circle, based on the laundering of illegal assets, as it is clear for us that it would last a split second." It would also compromise "our country's economic and financial system," he said.

In Scavarelli's opinion, there is an undisputable argument: "Between \$500 and \$600 billion are allegedly involved in drug trafficking activities worldwide and barely 10 to 15 percent returns to the areas where there are drug trafficking or criminal activities."

Scavarelli emphasized: "We cannot be acquiescent with those who are carelessly mistaking the benefits of a stable, firm, and well-established financial circle as the Uruguayan one, which can be regionally competitive, for other goals or consequences."

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